City of Princeton, Texas Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended September 30, 2021

City of Princeton, Texas

Prepared by:

City Manager
Derek Borg

Director of Finance
Carron Prigmore

CITY OF PRINCETON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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INTRODUCTORY SECTION

CITY OF PRINCETON
THE STATE OF TEXAS

PRINCETON
TEXAS

May 2, 2022

Honorable Mayor and Members of the City Council
City of Princeton
Princeton, Texas

Dear Mayor and Council Members:

The Annual Comprehensive Financial Report ("Report") of the City of Princeton, Texas for the fiscal year ended September 30, 2021 is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this Report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

BrooksWatson & Co., PLLC has issued an unmodified ("clean") opinion on the City of Princeton's financial statements for the year ended September 30, 2021. The independent auditor's report is located in the beginning of the financial statement section of the Report.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF PRINCETON

In the late 1870s, T.B. Wilson and his brother George began farming near the site of future Princeton. In 1881, the Missouri, Kansas and Texas Railroad Company extended its line from Greenville to McKinney, passing through land owned by the brothers. The name Wilson's Switch was commonly used to designate the area but when the residents of the community applied for a post office branch, they learned that the name Wilson was already being used. The name Princeton was then selected, to honor Prince Dowlin, a landowner and promoter of the town. This name was accepted and a post office was established in 1888.

Princeton is a rapidly growing City in Collin County, Texas. Princeton is located in northeast Collin County between the cities of McKinney and Greenville on U.S. Highway 380. Collin County is currently one of the fastest growing counties in Texas.

The City of Princeton is a political subdivision and operates under the General Law type "A" form of government. Policy-making and legislative authority are vested in the governing body, which consists of a Mayor and five-member council.

The financial reporting entity (the government) includes all the funds of the primary government as well as two discretely presented component units. Discretely presented component units are legally separate entities and are not part of the primary government's operation. The government provides a full range of services including police protection and a combination of paid and volunteer fire department, sanitation services; community development; code enforcement; two public parks, and a city library; the construction and operation of water, sewer, drainage, solid waste services, and infrastructure; and cultural events.

ECONOMIC CONDITIONS AND OUTLOOK

Princeton is located in the eastern part of Collin County, approximately six miles east of U.S. Highway 75 that connects Dallas to Oklahoma and on U.S. 380, the primary regional transportation artery that connects Texas to New Mexico on the west and to I-30 on the east. The City is approximately thirty-eight miles from DFW International Airport, which is centrally located between Dallas and Ft. Worth.

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 182,000 residents. This growth has extended to the east into Princeton and development has been steadily increasing over the past several years. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade. The City issued over 2000 single-family home permits in FY21 and the number is expected to rise again this year. The current estimated population of Princeton is approximately 20,000.

The City is continuing to grow as the economy remains stable at this time. The City finished constructing a new City Municipal Center that is now the home of Administration, Police Department, Fire Administration, Development Services, utility billing, Parks and Rec, and Events.

According to the *Dallas Morning News*, Collin County is set to have over 2.4 million residents by 2050, according to the Texas Demographic Center. That's more than three times its population in 2010. Other estimates put the county's 2050 population as high as 3.5 million. According to 2017 population estimates from the U.S. Census Bureau, Dallas County had 2.6 million residents and Tarrant County just over 2 million, to put that in perspective.

A lot of the county's growth is driven by businesses moving to the area. In the last several years, dozens of companies have set up shop in Collin County.

Economic Indicators and Tax Rate

- The new *Bois D 'Arc Business Park*, sponsored and constructed by the Princeton Economic Development Corporation, is now approximately 50% sold to new businesses that will be creating hundreds of jobs. The Princeton EDC is very engaged in providing incentives for job creation.

- Several new businesses including Chase Bank, Peoples Bank, are locating their establishments here in Princeton paving the way for many new jobs.

- The Princeton ISD continues to build new facilities to keep up with the growth. There are now 4 elementary schools, 3 intermediate schools, and 2 high schools. There is a new intermediate school currently under construction.

- Princeton receives its water from North Texas Municipal Water District in Wylie, Texas. The District supplies water to most of the communities in North Texas, and is expanding its capability by building an additional reservoir at the Lower Bois D 'Arc Creek location. This is now complete and will serve the growth of the region well into the future.

- Standard and Poor's updated the City's bond rating in February to an "AA+" from a "AA" This opens the City up for better financing rates when the City issues bonds.

- Property tax revenues increased 9% over FY2020. It is estimated that over 17% of this increase is due to additions to the tax roll from new properties.

- Sales tax revenues increased 4% over FY2020 and is projected that this increase will continue into the new budget year.

Long Term Financial Planning and Capital Improvements

The City keeps a close eye on the sales tax and property values and works closely with the Princeton EDC to identify potential opportunities to incentivize local businesses to support our local economy. The EDC has created a Façade incentive program to help the businesses upgrade their properties, offering the property owners a 70% cost-share by the EDC for property owners that can invest up to $3,000 and receive $7,000 from the EDC. In addition to this document, interested parties are encouraged to read the FY 2022 Annual Budget. The Budget document outlines the individual components of the City's revenue and expenditures. The document also outlines strategic long-term planning principles and goals, along with the capital improvement planning and projects.

Major Capital Improvement Projects Completed, Underway or Under Design

Some of the street reconstruction projects include: Completed reconstruction on Tickey Dr. and, East Gantt Street. Yorkshire Dr. and Second Street are slated for reconstruction in FY22, and other streets are under design for inclusion in the next street bond projects. The Completion of approximately 1 mile of 4 lane thoroughfare on Beauchamp Blvd. has been completed along with a bridge across Tickey Creek providing more direct access to US380 from the north end of the City.

Some of the new facilities include: New public park space, more hike and bike trails, and public restrooms at the municipal Park. The Community Center funded by the Princeton CDC has been completed and soon opening for reservations and events. The new fire station on Myrick lane is complete, and the third fire station on Beauchamp Blvd is under contract for construction.

Water and wastewater projects: Nearing completion is the pump station at Forest Grove, a new 36" wastewater line accessing the north Texas lift station on Myrick Lane, and under contract for construction is the second elevated storage tank and water mains for the south part of the City.

A detailed description and list can be found in the FY2022 budget, it outlines all of the capital improvement projects and opinions of probable cost

Accounting Procedures and Budgetary Concepts

The City's accounting records for general government are maintained on a modified accrual basis with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In accordance with the City's Budget Policy, the budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager and the Director of Finance, and a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review, the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Director of Finance, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year. The legal level of budgetary control is maintained at the fund level – budget amendments increasing total expenditures within a fund require formal approval by the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90-day unassigned fund balance reserves.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of City Council. These controls are inherently limited by the segregation of duties of a small government.

General Governmental Functions

Tax Rates: All eligible property with the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

	Tax Rate
2017-2018	0.689890
2018-2019	0.688820
2019-2020	0.676299
2020-2021	0.651215
2021-2022	0.602549

OTHER INFORMATION

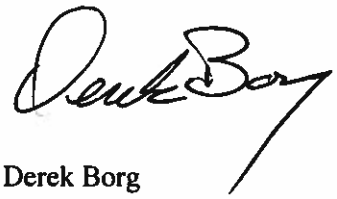
Independent Audit: The City of Princeton has engaged the firm of BrooksWatson & Co., PLLC to perform the annual audit and their opinion has been included in this Report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and state that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2021 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many persons are responsible for the preparation of this Report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those of the Finance Department who were instrumental in the successful completion of this Report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,



Derek Borg
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Princeton
Texas

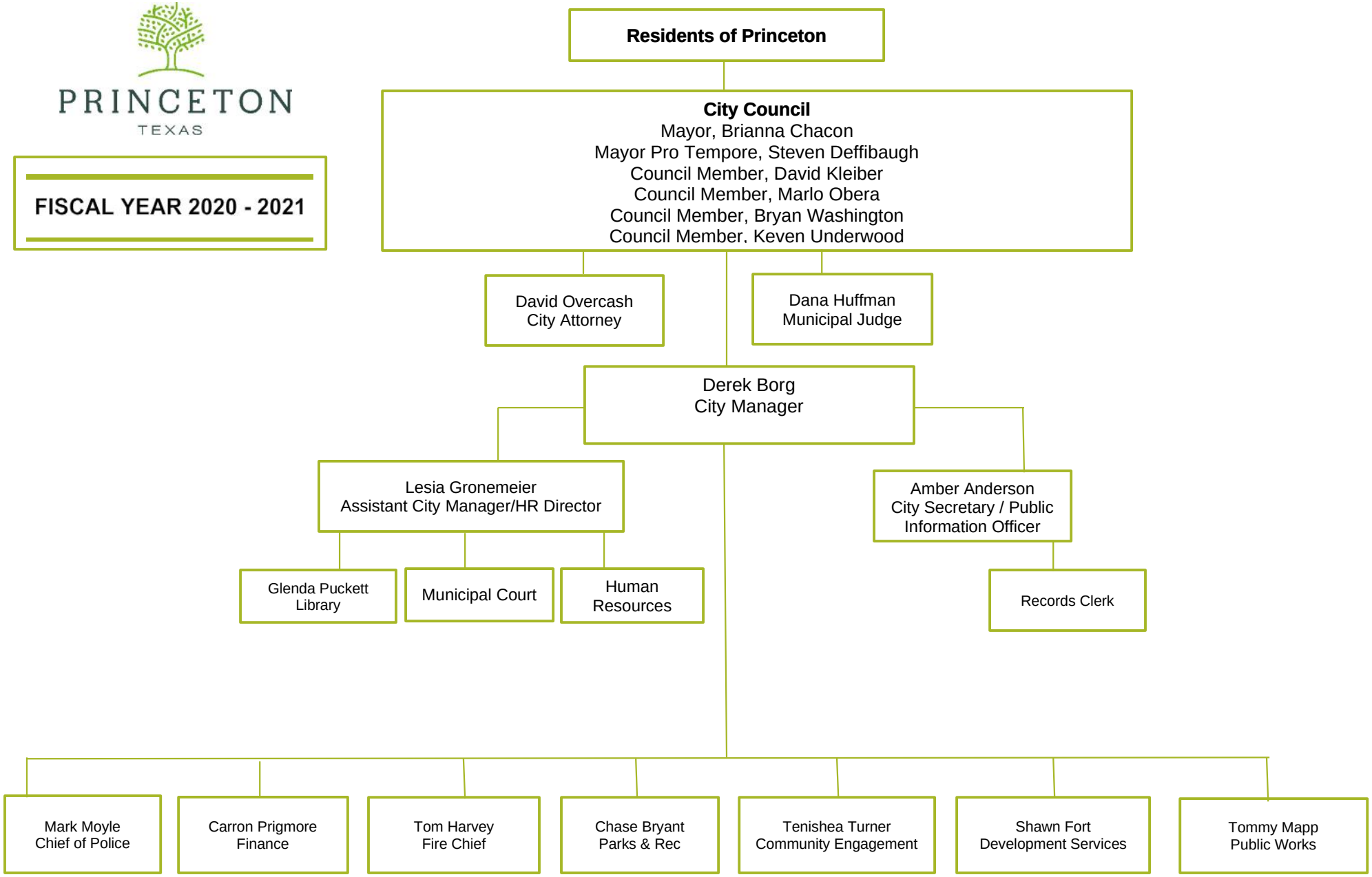
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Executive Director/CEO

PRINCETON
TEXAS

FISCAL YEAR 2020 - 2021



PRINCETON
TEXAS

CITY OF PRINCETON CITY COUNCIL

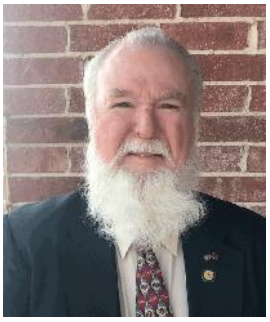
Brianna Chacon
Mayor

David Kleiber
Place 1

Marlo Obera
Place 2

Bryan Washington
Place 3

Keven Underwood
Place 4



Steven Deffibaugh
Place 5

FINANCIAL SECTION

CITY OF PRINCETON
THE STATE OF TEXAS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Princeton, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, general fund budgetary comparison information, and the aggregate remaining fund information of the City of Princeton, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, general fund budgetary comparison information, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Accounting Corrections

As discussed in Note U to the financial statements, the City restated the beginning net position, and the respective fund balances, within government activities, business-type activities, and the water and sewer fund to properly reflect corrections of accounting corrections in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, schedule of changes in net pension liabilities and related ratios, and schedule of employer contributions to the pension plans, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and re conciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical sections, and continuing disclosure section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 2, 2022

CITY OF PRINCETON
THE STATE OF TEXAS

CITY OF PRINCETON,TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

As management of the City of Princeton ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative:

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by $148,291,416 (net position). Of this amount, $96,038,472, or 66%, is net investment in capital assets. The amount of $24,944,828, or 17%, is restricted for certain purposes. The unrestricted net position of $27,308,116, or 17%, is due to more people moving into the City and customers being added to the water and wastewater infrastructure. This resulted in the Governmental Activities unresticted net position of $16,879,326 (net position) and the Business-type activities has an unrestricted net position of $10,428,790.

- The City's total net position increased by $30,045,855. With the continued growth within the City and the construction of new housing developments result in more customers being added to the water and wastewater infrastructure and ad valorem and sales tax revenues increasing.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $35,369,754, a decrease of ($10,740,605), or (23%), in comparison with the prior year. This decrease is attributed to the spending of construction proceeds for the building of the City Hall complex.

- At the end of the current fiscal year, unassigned fund balance for the General Fund of $6,887,862 was 54% of total General Fund expenditures for the fiscal year.

- In the government-wide statement, the City's total long-term obligations decreased by ($3,173,589), or (5%). There was not any new debt issued during the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to that of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements, pages 31-33, are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and charge for services finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and storm water drainage activity are reported as business-type activities. The final category is the component units. The City includes two separate legal entities in its report – the Princeton Economic Development Corporation and the Princeton Community Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

Most of the City's basic services are reported in the governmental activities, including public safety (Police, Fire), Library, Development, Parks and Recreation, and General Administration.

The Business-type activities charge fees to customers in order to cover all or most of the cost of certain services that the City provides. The City's water and wastewater operations and the municipal drainage system are reported as business-type activities.

Component units include the Economic Development Corporation and the Community Development Corporation.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary fund.

Governmental Funds – Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as resources available for future spending at the end of the fiscal year. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided that details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, TIRZ Fund, Debt Service Fund, and Capital Projects Funds, all of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 34-43 of this report.

The City adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budgets are a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Debt Service Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. The General Fund Budgetary Comparison Schedule can be found on page 38.

Proprietary Funds – The City has one type of proprietary fund – Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and storm water drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and the storm water drainage fund.

The basic proprietary fund financial statements can be found on pages 39-41 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on page 44 - 78 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and net pension liability. This information is on pages 80 - 83 of this report.

Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of the developers. All of the fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The basic fiduciary fund financial statement can be found in pages 42-43.

Table 1
NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 39,848,692	$50,407,540	$ 22,514,787	$ 17,636,374	$ 62,363,479	$ 68,043,914
Long-term receivables	2,190,827	-	-	-	2,190,827	-
Capital assets	84,206,286	60,100,840	71,593,135	45,353,556	155,799,421	105,454,396
Total assets	126,245,805	110,508,380	94,107,922	62,989,930	220,353,727	173,498,310
Deferred outflow-pension/OPEB	753,583	636,038	539,034	531,062	1,292,617	1,167,100
Long-term liabilities	41,744,581	43,330,179	25,025,307	8,070,611	66,769,888	51,400,790
Other liabilities	4,447,940	1,850,128	1,911,058	3,372,411	6,358,998	5,222,539
Total liabilities	46,192,521	45,180,307	26,936,365	11,443,022	73,128,886	56,623,329
Deferred inflow-pension/OPEB	168,834	174,294	57,208	58,726	226,042	233,020
Net position:						
Investment in capital assets	48,846,320	43,200,083	47,192,152	37,897,044	96,038,472	81,097,127
Restricted	14,912,387	39,388,505	10,032,441	7,215,702	24,944,828	46,604,207
Unrestricted	16,879,326	(16,835,067)	10,428,790	7,379,294	27,308,116	(9,455,773)
Total net position	$ 80,638,033	$65,753,521	$ 67,653,383	$ 52,492,040	$ 148,291,416	$ 118,245,561

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The combined net position of the City was $148,291,416 as of September 30, 2021. The City's net position increased $30,045,855 for the fiscal year ended September 30, 2021. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Net invested in capital assets:
The largest portion, $96,038,472, or 66%, reflects the City's investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt outstanding including deferred charges associated with debt that was issued to acquire or construct the capital assets and the accrued payables for capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these debt liabilities.

Restricted net position:
The restricted net position of $24,944,828, or 17%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: $1,608,887, or 6%, for debt service requirements, capital improvements of $23,137,673 or, 93%, that includes impact fees, PEG fees, and TIRZ ad valorem taxes, and use by court, public safety, and general government is $198,268, or 1%.

Unrestricted net position:
Unrestricted net position of $27,308,116, or 17%, is available to fund City programs to citizens and debt to creditors. The significant increase in unrestricted net position is due, in part, to the spending of capital improvements proceeds for projects. The largest project is the City Hall Municipal complex whish is near completion. See Notes H-J for more detail of this debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as, for its separate governmental and business-type activities. The same situation held true to prior years.

Table 2
CHANGES IN NET POSITION

	Governmental Activities		Business Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	$ 11,292,107	$ 9,413,940	$ 18,404,538	$ 14,884,726	$ 29,696,645	$ 24,298,666
Operating grants and contributions	1,170,004	1,136,807	184,293	1,724	1,354,297	1,138,531
Capital grants and contributions	9,315,702	16,061,420	10,440,466	12,530,784	19,756,168	28,592,204
General Revenues:						
Property taxes	8,789,551	7,472,581	-	-	8,789,551	7,472,581
Sales taxes	2,473,784	1,928,514	-	-	2,473,784	1,928,514
Franchise taxes	434,131	417,291	-	-	434,131	417,291
Other taxes	3,749	2,613	-	-	3,749	2,613
Investment income	27,098	128,794	8,630	103,372	35,728	232,166
Donations-not restricted for specific purpose	-	365	-	-	-	365
Miscellaneous	14,713	68,405	66,934	1,312	81,647	69,717
Total revenues	33,520,839	36,630,730	29,104,861	27,521,918	62,625,700	64,152,648
Expenses:						
General government	1,821,210	1,236,657	-	-	1,821,210	1,236,657
Public safety	6,136,367	5,377,955	-	-	6,136,367	5,377,955
Library	267,697	229,122	-	-	267,697	229,122
Public services and operations	1,677,660	1,326,917	-	-	1,677,660	1,326,917
Parks and recreation	1,281,216	1,056,310	-	-	1,281,216	1,056,310
Public works	5,735,515	3,335,833	-	-	5,735,515	3,335,833
Water and sewer	-	-	12,366,194	9,547,640	12,366,194	9,547,640
Storm water drainage	-	-	1,234,301	523,756	1,234,301	523,756
Interest on long-term debt	1,351,592	782,724	708,092	312,130	2,059,684	1,094,854
Total expenses	18,271,257	13,345,518	14,308,587	10,383,526	32,579,844	23,729,044
Increase/(decrease) in net position before transfers	15,249,582	23,285,212	14,796,274	17,138,392	30,045,856	40,423,604
Transfers	(365,070)	187,106	365,070	(187,106)	-	-
Increase/(decrease) in net position	14,884,512	23,472,318	15,161,344	16,951,286	30,045,856	40,423,604
Net position - beginning of year - restated	65,753,521	42,278,429	52,492,040	35,540,754	118,245,561	77,819,183
Prior period adjustments	-	2,774	-	-	-	2,774
Net position - end of year	$ 80,638,033	$ 65,753,521	$ 67,653,384	$ 52,492,040	$ 148,291,417	$ 118,245,561

Governmental activities increased net position by $14,884,512 during the current fiscal year. Key elements of this increase are as follows:

Revenues

* Property taxes increased $1,316,970, or 9%, as a result of more properties being developed in the City and added to the tax roll.
* Sales taxes increased $545,270, or 4%, as a result of population growth in the area.
* Permits and fees increased $1,010,037, or 7%, again this fiscal year due to the continued growth of the City.

In fiscal year 2021, the City recognized $437,064 in CARES funding from Collin County to assist in direct COVID-19 response efforts as allowed by the U.S. Department of Treasury's Coronavirus Relief Fund Guidance for State, Territorial, Local and Tribal Governments. The City used the direct expense funds to cover payroll costs associated with public safety employees, as work performed was substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

As a result of ARPA, subtitle M - Coronavirus SLFRF, the City was allocated $3,442,738. The City received 50% of the allocation, $1,721,369 in August 2021, with the balance to be delivered aproximately twelve months later. The City is claiming the full amount of the funds for planning design of broadband infrastructure improvements.

Expenditures

Governmental expenditures increased $4,925,739, or 37%. Some of this increase is due to a second fire station opening and additional Fire personnel being hired and additional officers being hired in the Police Department.

Revenues

Business-type activities increased net position by $15,161,344 during the current fiscal year, excluding prior period adjustment. Key elements of this increase are as follows:

* Charge for services increased $3,519,812, or 23%, as a result of residential growth adding more new customers.

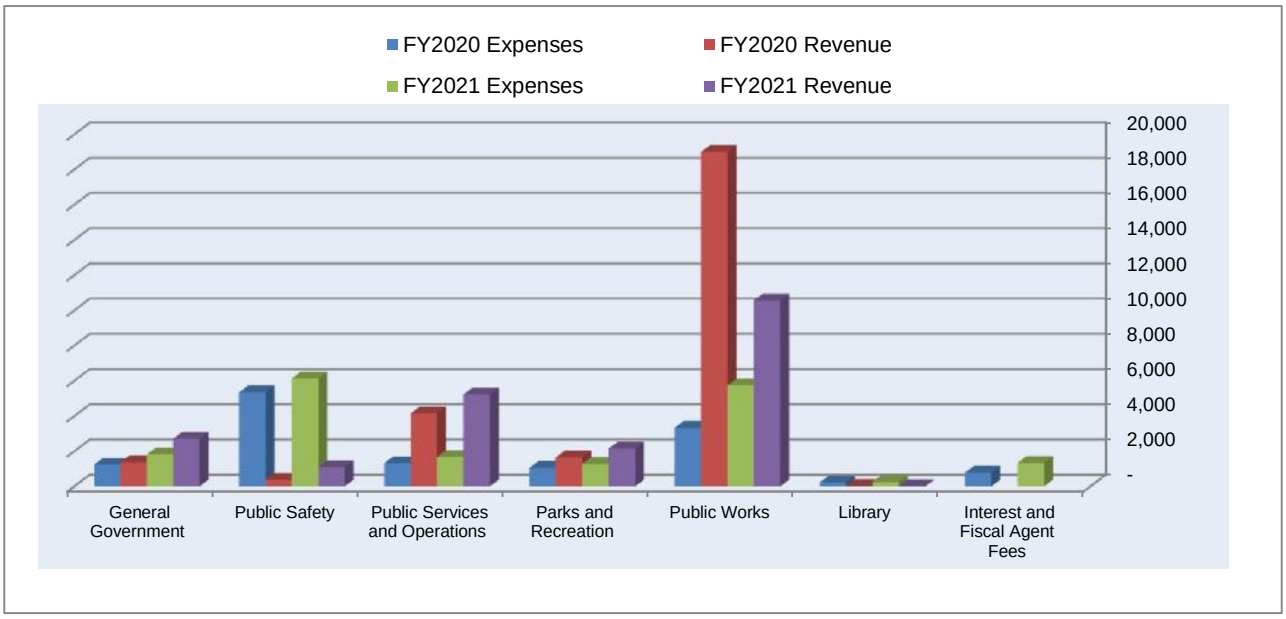
Expenses

Business-type expenditures increased $3,925,061, or 38%. This is due to the increase of daily operations costs for supplies, chemicals, water purchases, and maintenance of infrastructure.

Expenses and Program Revenues - Governmental Activities

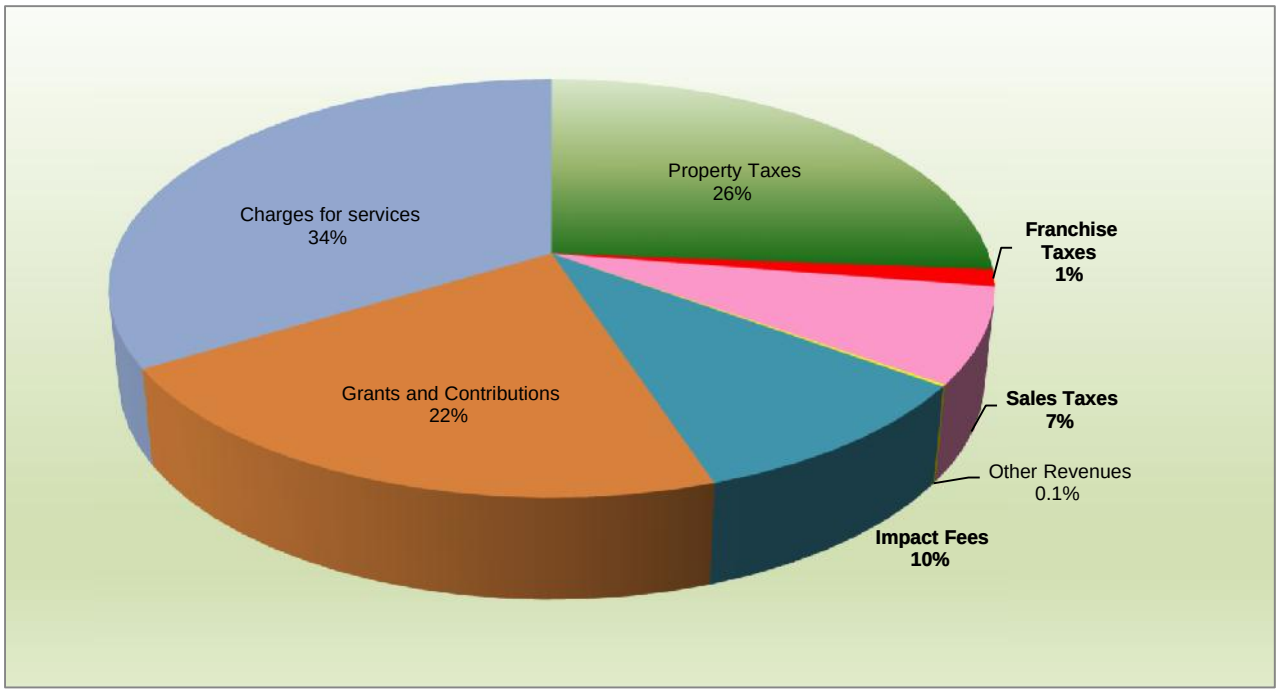
The following chart illustrates the relationship between expenses and program revenues for governmental-type activities:

(amounts expressed in thousands)



The following chart visually illustrates the City's revenues by sources for governmental activities:

Revenues by Source - Governmental Activities



Program revenues for the City's governmental activities decreased ($4,834,354), or (18%) when compared to FY20. This is partially due to a decrease in developer contribution of infrastructure of ($1,202,706), or (15%), when compared to the prior year. Also, in FY20, the City received $6.3M from Collin County to assist in new road infrastructure.

The net decrease was offset with the following increases:

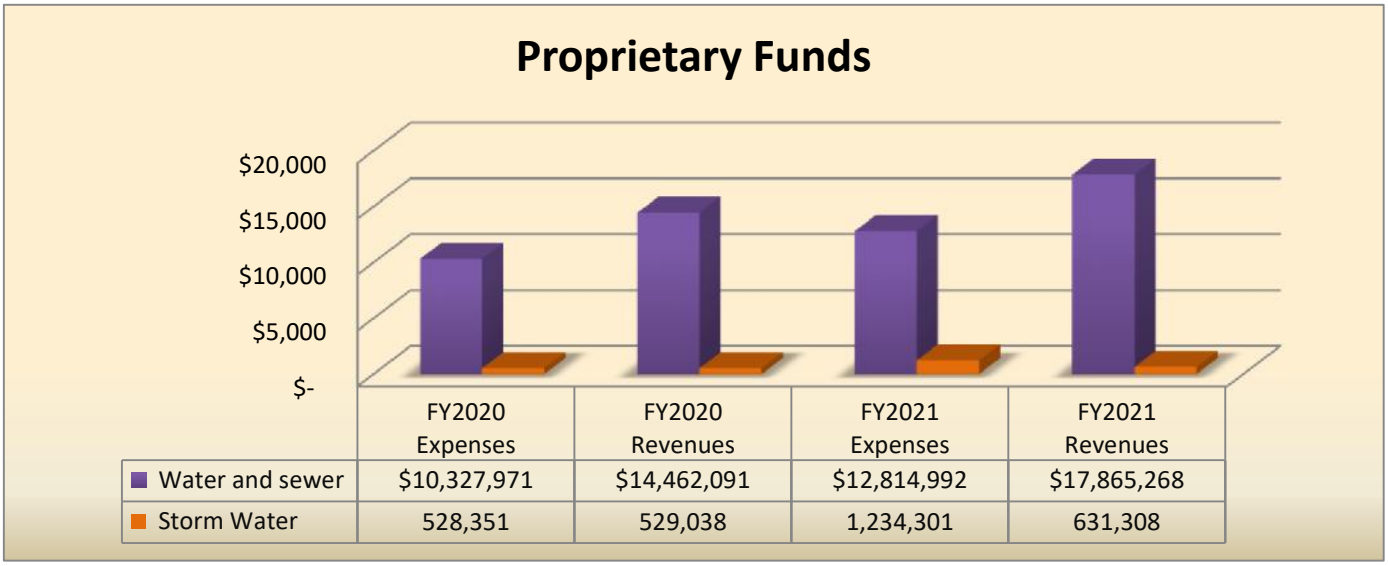
* Property tax collections increased $1,316,970, or 18%, due to new properties being added to the tax roll.
* Sales tax collections increased $545,270, or 28% over prior year collections.
* Building permits and other development fees increased $1,010,037, or 21%, over the prior year due to the growth within the City.

Expenditures for the City's governmental activities increased $4,925,739, or 37%. This is due in large part to the operation expenditures in the Street Department and additional public safety personnel hired during the fiscal year.

Expenditures and Program Revenues - Business-type Activities

Revenues - The following chart visually illustrates the City's revenue by sources for business-type activities:

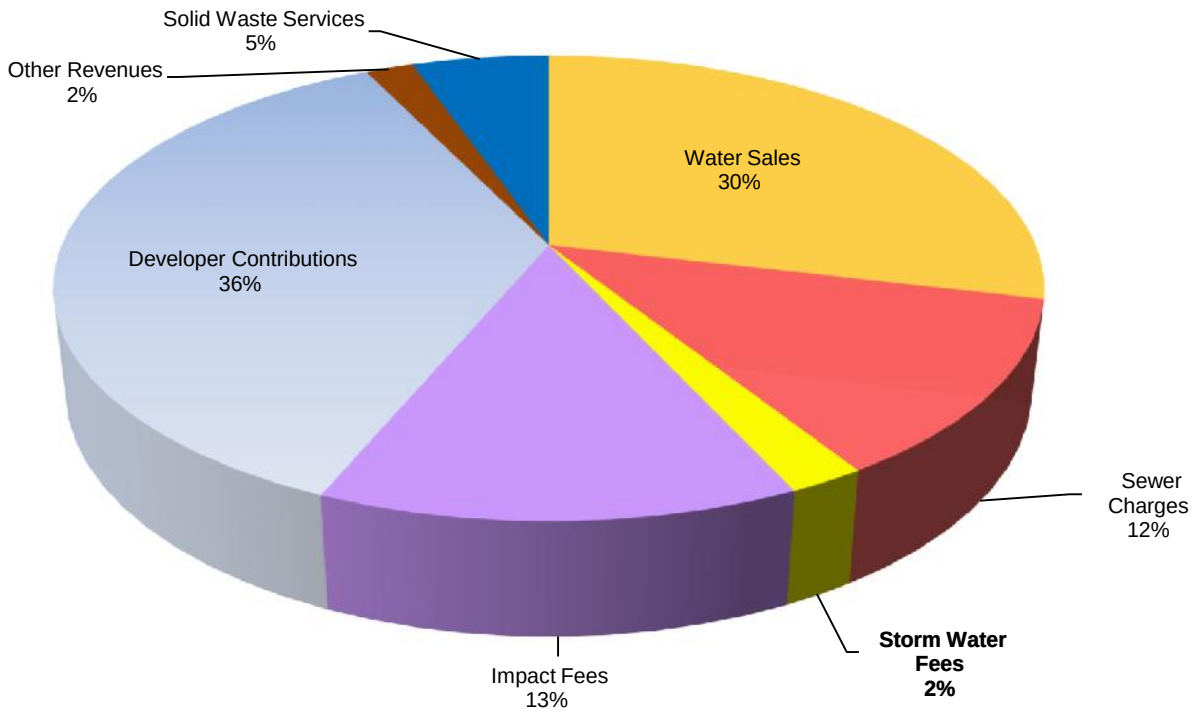
(amounts expressed in thousands)



	FY2020 Expenses	FY2020 Revenues	FY2021 Expenses	FY2021 Revenues
Water and sewer	$10,327,971	$14,462,091	$12,814,992	$17,865,268
Storm Water	528,351	529,038	1,234,301	631,308

Revenues by Source - Business-type Activities

Revenues - The following chart visually illustrates the City's revenue by sources for business-type activities:



Program revenues from business-type activities increased, $1,612,063, or 6%, when compared to the prior fiscal year. Charge for services increased $3,519,812, or 24%, due to more customers being added to the utility billing system. The City did not increase customer rates for services. An estimated 2,100 new customers were added to the City's water and sewer infrastructure usage.

Although, capital and operating grants and contributions decreased approximately 20%, the increase in water sales and sewer revenues offset this decline.

Overall expenses for business-type activities increased, $3,448,056, or 49%. This increase was expected with the continued growth of the City and demand for services such as the solid waste collection. The cost for this service increased, $285,622, or 22%, when compared to the prior fiscal year. Purchase of water increased increased, $377,700, or 23%, too. Overall, the Water and Sewer Department's operating expenses increased 40% and the Storm Water Drainage Fund's operating expenses increased 134%.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2021, the City's governmental funds reported combined ending fund balances of $35,369,754, a 23% decrease in comparison with the prior year. Of this amount, $6,887,862, or 19%, is unassigned fund balance.

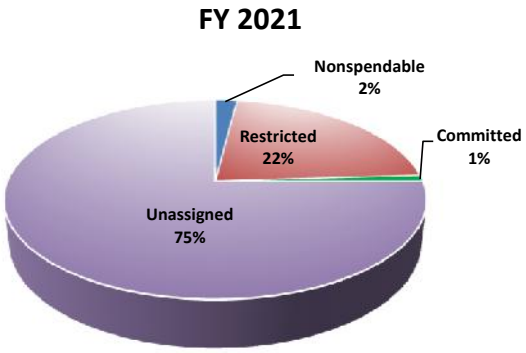
- Nonspendable fund balance of $168,718, or 0.5%, of total fund balance consists of amounts that are not spendable in form and are contractually required to be maintained intact. These amounts are as follows:
  - $126,059, or 74.7%, is for prepaid items; and
  - $42,659, or 25.3%, is for inventory of fuel.

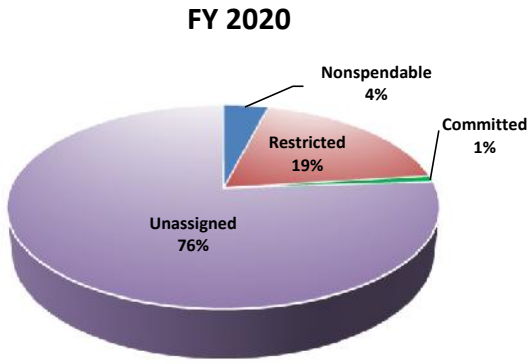
- Restricted fund balances of $25,308,855, or 71.6%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
  - $1,608,887, or 6.4%, for debt service requirements;
  - $198,268, or .8%, for state imposed restrictions for use of court fees and police;
  - $23,501,700, or 92.9%, for capital improvements that includes:
    $1,248,664 for the construction of a new fire station; $13,222,248 for street improvements; $1,122,895 for park improvemente, $6,186,516 for the City Municipal complex, and $1,721,377 for infrastructure improvements.

- Committed fund balance of $1,331,517, or 4%, that was approved by the City Council is for capital replacement and improvements as follows:
  - $1,271,835, or 95.5%, for parks and recreation capital replacement and park improvements;
  - $21,637, or 1.6%, for public safety for capital replacement;
  - $23,545, or 1.8%, for public works for capital replacement; and
  - $14,500, or 1.1%, for development for capital replacement.

- Assigned fund balance of $1,672,802, or 5%, of total fund balance, are as follows:
  - $1,672,802, or 100%, is for the parks and recreation by collection of negotiated PID fee from developer.

The General Fund is the chief operating fund of the City and had an unassigned fund balance of $6,887,862, at the end of the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 54% of total General Fund expenditures.





The General Fund's fund balance increased $4,546,479, or 50% , over the prior year. Key factors of this increase are as follows:

- Total General Fund revenues increased $4,403,856, or 37%, when compared to the prior year. Property tax revenues increased $860,052, or 22%, as a result of additional properties added in the current year and increases in assessed property values. The City's overall ad valorem tax rate decreased by 4% from $0.676299 to $0.651215 per $100 per property

value. Licenses and permit revenues increased $1,072,923, or 52%, as a result of the City's population upward trend. Intergovernmental revenues increased $1,457,187, or 110%, primarily due to the ARPA monies received.

- Expenditures increased $2,553,465, or 25%, primarily due to additional personnel hired in the Fire Department, Parks and Recreation Department and Development along with additional vehicles and equipment purchased.

The Debt Service Fund's fund balance increased $214,791, or 15% , all of which is restricted for the payment of debt service. This slight increase in the fund balance is due to more property taxes being paid after January 31.

The TIRZ Funds' fund balance at the end of the fiscal year is $3,312,566, which is an increase of 48% . This fund balance is restricted to projects within the TIRZ boundary. The street project that is eligible to be funded with these restricted funds will begin in FY2022.

The Capital Improvements Funds' fund balances at the end of the fiscal year is $21,352,233, which is a decrease of (44%). when compared to the prior year. Key factors are noted as follows:

Capital street improvements decreased the Capital Improvements Fund portion of the fund balance by ($750,394), or (6%). The prior fiscal year included one-time intergovernmental revenues for street infrastructure improvements from Colllin County.

Capital building improvements decreased the Capital Improvements Fund portion of the fund balance by ($16,590,215), or (71%). The construction for the City Hall building at the Municipal Complex accounts for this reduction. The completion of this building is scheduled for late January 2022.

Capital park improvements increased the Capital Improvements Fund portion of the fund balance by $765,469, or 38%. This is due to the increase in PID Fee revenues from developers.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Fund net position of $55,634,206, increased 29% over the prior year. In the current fiscal year, total operating revenues are $14,011,112, while operating expenses are $12,364,563. Revenue is higher in the current fiscal by $1,646,549, due to the addition of an estimated 2,000 customers added to the system. Water rates remained the same as the prior year. Contractual payments to NTMWD increased $377,699, and this is an increase of 23% over the prior year.

The Storm Water Drainage Fund net position of $12,019,179, increased 28% over the prior year. The rates did not increase during the year. Operating revenues of $631,307, is an increase of 19% over the prior year. Operating expenses increased by $710,239. This is due to more infrastructure being built and costs of operation increasing.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, totals $155,799,421 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total increase in capital assets for the current fiscal year was approximately 30%.

Major capital asset events during the current fiscal year included the following:

- Contribution of street infrastructure from developers $ 7,013,582
- Contribution of water/sewer infrastructure from developers $ 6,276,628
- Contribution of storm water drainage infrastructure from developers $ 3,240,973
- Completed construction of Fire Station #3 $ 2,697,927
- Several major infrastructure improvement projects ongoing or completed for streets and water/sewer

Capital Assets
(net of accumulated depreciation)
September 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	$ 2,107,212	$ 2,107,212	$ 286,763	$ 286,763	$ 2,393,975	$ 2,393,975
Infrastructure	53,550,247	48,424,599	54,420,935	43,918,374	107,971,182	92,342,973
Building & improvements	5,885,360	3,318,715	112,410	117,996	5,997,770	3,436,711
Machinery & equipment	1,936,469	1,501,487	438,957	555,715	2,375,426	2,057,202
Construction in progress	20,726,998	4,748,827	16,334,070	474,708	37,061,068	5,223,535
Total	$ 84,206,286	$ 60,100,840	$ 71,593,135	$ 45,353,556	$ 155,799,421	$ 105,454,396

More detailed information about the City's capital assets is presented in Note F to the financial statements.

Long-term Debt - As of September 30, 2021, the City had a total of $64,620,798 in long-term obligations. This represents a decrease of ($3,173,589), or (5%), in comparison with the prior year.

Outstanding Debt
September 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds & Certificates of Obligation	$ 33,602,200	$ 34,799,150	$ 7,068,638	$ 7,433,228	$ 40,670,838	$ 42,232,378
Tax Note	5,070,000	6,020,000	-	-	5,070,000	6,020,000
Contractual Obligations	-	-	16,920,000	17,730,000	16,920,000	17,730,000
Capital Leases	1,678,530	1,456,472	271,430	345,537	1,949,960	1,802,009
	$ 40,350,730	$ 42,275,622	$ 24,260,068	$ 25,508,765	$ 64,610,798	$ 67,784,387

The City's bonds carry a AA- rating issued by Standard & Poor's and Fitch, Inc.

More detailed information about the City's long-term obligations is presented in Note H-J to the financial statements.

Economic Factors and Next Year's Budgets and Rates

While recognizing the challenges that the City has faced and will face over the next few years, the elected officials and appointed officials continue to focus on the organizational and community values that the citizens of Princeton have come to expect. Again in FY2022, the City's ad valorem tax rate was lowered from 65.1215 cents to 60.2549 cents per $100 of assessed property valuation.

The City of Princeton, Texas continues to be financially strong. The priority for fiscal year 2022 continues to be maintaining quality service while observing prudent spending practices.

The annual budget defines the service priorities and projects financial resources for the City. The increase in property values and resulting revenues and the increase in sales tax receipts will enable us to increase funding for the repair maintenance for infrastructure, take care of personnel, maintain financial policies and bond ratings and serve our citizens through existing service offerings and Public Safety programs.

The largest single revenue source for the General Fund budget is property taxes and this accounts for 36% of total revenues. Assessed property values in Princeton increased 17% from the prior year, including $1,184,344 in new property added to the tax roll.

NTMWD will not increase the rate for the City's per 1,000 gallons but will increase wastewater treatment rates an estimated 7%. These increases have been required to pay for debt service and increased treatment and costs. This supports the expansion of, and improvements to, the District's water treatment operations. The improvements ensure that the region has an adequate supply of drinking water for many years in the future.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Director of Finance, 2000 E. Princeton Drive, Princeton Texas 75407.

CITY OF PRINCETON
THE STATE OF TEXAS

FINANCIAL STATEMENTS

CITY OF PRINCETON
THE STATE OF TEXAS

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	EDC	CDC
ASSETS					
Cash and cash equivalents	$ 2,010,211	$ 3,383,918	$ 5,394,129	$ 426,403	$ 1,836
Investments	9,492,877	5,520,372	15,013,249	3,421,395	1,292,257
Receivables, net of allowance for uncollectibles	848,379	1,734,605	2,582,984	251,387	251,387
Inventory	42,659	189,116	231,775	-	-
Prepayments and other assets	126,059	10,080	136,139	-	46,226
Restricted assets:					
Cash and cash equivalents	7,369,788	1,953,318	9,323,106	-	-
Investments	19,802,111	9,655,853	29,457,964	-	-
Long-term receivables - component units	303,450	-	303,450	-	-
Receivables	156,608	67,525	224,133	-	-
Noncurrent long-term receivable					
Component units	1,887,377	-	1,887,377	-	-
Capital assets not being depreciated					
Land	2,107,212	286,763	2,393,975	786,195	-
Construction in progress	20,726,998	16,334,070	37,061,068	-	1,215,953
Capital assets, net of accumulated depreciation:					
Machinery and equipment	1,936,469	438,957	2,375,426	1,751	-
Buildings and improvements	5,885,360	112,410	5,997,770	-	116,330
Infrastructure	53,550,247	54,420,935	107,971,182	465,676	-
Total Assets	126,245,805	94,107,922	220,353,727	5,352,807	2,923,989
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge for refunding	-	304,355	304,355	-	-
Deferred pension outflows	723,073	225,929	949,002	-	-
Deferred OPEB outflows	30,510	8,750	39,260	-	-
Total deferred outflow of resources	753,583	539,034	1,292,617	-	-
LIABILITIES					
Accounts payable	2,443,933	483,951	2,927,884	46,257	9,580
Retainage payable	1,543,675	35,265	1,578,940	13,597	4,166
Other accrued liabilities	280,770	82,656	363,426	-	-
Accrued interest payable	179,562	27,075	206,637	-	-
Customer deposits	-	1,282,111	1,282,111	-	-
Non-current liabilities:					
Due within one year	2,826,218	813,537	3,639,755	75,000	228,450
Due in more than one year	38,918,363	24,211,770	63,130,133	975,000	912,377
Total Liabilities	46,192,521	26,936,365	73,128,886	1,109,854	1,154,573
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflow	162,648	54,740	217,388	-	-
Deferred OPEB inflow	6,186	2,468	8,654	-	-
Total deferred inflow of resources	168,834	57,208	226,042	-	-
NET POSITION					
Net investment in capital assets	48,846,320	47,192,152	96,038,472	190,025	416,297
Restricted for:					
Debt service	1,608,887	-	1,608,887	-	-
Public safety	50,713	-	50,713	-	-
Use of impact fees	3,878,842	9,299,144	13,177,986	-	-
Capital improvements, including PEG fees	5,913,824	-	5,913,824	-	216,561
Storm water use	-	733,297	733,297	-	-
Court use	147,555	-	147,555	-	-
Tax increment financing	3,312,566	-	3,312,566	-	-
Unrestricted	16,879,326	10,428,790	27,308,116	4,052,928	1,136,558
Total Net Position	$ 80,638,033	$ 67,653,383	$ 148,291,416	$ 4,242,953	$ 1,769,416

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 1,821,210	$ 610,304	$ 185,017	$ 1,917,817
Public Safety	6,136,367	140,950	967,406	-
Library	267,697	2,378	16,581	-
Public services and operations	1,677,660	5,224,478	-	-
Parks and recreation	1,281,216	1,996,581	1,000	152,899
Public works	5,735,515	3,317,416	-	7,244,986
Interest on long-term debt	1,351,592	-	-	-
Total governmental activities	18,271,257	11,292,107	1,170,004	9,315,702
Business-type Activities:				
Water and sewer	13,072,287	17,789,699	167,824	7,199,493
Storm water drainage	1,236,301	614,839	16,469	3,240,973
Total business-type activities	14,308,588	18,404,538	184,293	10,440,466
Total primary government	32,579,845	29,696,645	1,354,297	19,756,168
Component Unit				
Economic Development Corporation	1,031,713	814,561	-	-
Community Development Corporation	319,281	-	-	-
Total component unit	$ 1,350,994	$ 814,561	$ -	$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Beverage taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The notes to the financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position					
Primary Government				Component Unit	
Governmental Activities	Business Activities	Total		EDC	CDC
$ 891,928	$ -	$ 891,928		$ -	$ -
(5,028,011)	-	(5,028,011)		-	-
(248,738)	-	(248,738)		-	-
3,546,818	-	3,546,818		-	-
869,264	-	869,264		-	-
4,826,887	-	4,826,887		-	-
(1,351,592)	-	(1,351,592)		-	-
3,506,556	-	3,506,556		-	-
-	12,084,729	12,084,729		-	-
-	2,635,980	2,635,980		-	-
-	14,720,709	14,720,709		-	-
3,506,556	14,720,709	18,227,265		-	-
-	-	-		(217,152)	-
-	-	-		-	(319,281)
$ -	$ -	$ -		$ (217,152)	$ (319,281)
$ 8,789,551	$ -	$ 8,789,551		$ -	$ -
2,473,784	-	2,473,784		1,236,892	1,236,892
434,131	-	434,131		-	-
3,749	-	3,749		-	-
27,098	8,630	35,728		48,715	652
14,713	66,934	81,647		-	-
(365,070)	365,070	-		-	-
11,377,956	440,634	11,818,590		1,285,607	1,237,544
14,884,512	15,161,343	30,045,855		1,068,455	918,263
65,753,521	52,492,040	118,245,561		3,174,498	851,153
$ 80,638,033	$ 67,653,383	$ 148,291,416		$ 4,242,953	$ 1,769,416

CITY OF PRINCETON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	TIRZ #1 Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS					
Cash and cash equivalents	$ 192,467	$ -	$ -	$ 1,817,744	$ 2,010,211
Investments	7,121,342			2,371,535	9,492,877
Receivables, net of allowance for uncollectibles	616,974	-	-	231,405	848,379
Long-term receivables - component units	-	-	2,190,827	-	2,190,827
Prepayments and deposits	126,059	-	-	-	126,059
Inventory - fuel	42,659	-	-	-	42,659
Restricted assets:					
Cash and cash equivalents	-	3,225,761	325,054	3,818,973	7,369,788
Investments	1,721,377	-	1,283,832	16,796,902	19,802,111
Receivables	-	86,805	69,803	-	156,608
Total Assets	9,820,878	3,312,566	3,869,516	25,036,559	42,039,519
LIABILITIES					
Accounts payable	303,282	-	-	2,140,651	2,443,933
Retainage payable	-	-	-	1,543,675	1,543,675
Accrued expenditures	176,091	-	-	-	176,091
Accrued liabilities	104,679	-	-	-	104,679
Total Liabilities	584,052	-	-	3,684,326	4,268,378
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	101,131	-	69,802	-	170,933
Unavailable revenues-receivable (component units)	-	-	2,190,827	-	2,190,827
Unavailable revenue-court	39,627	-	-	-	39,627
Total Deferred Inflows of Resources	140,758	-	2,260,629	-	2,401,387
Fund Balances					
Nonspendable					
Prepaids	126,059	-	-	-	126,059
Inventory	42,659	-	-	-	42,659
Restricted for:					
Court use	147,555	-	-	-	147,555
Public safety	50,713	-	-	1,248,664	1,299,377
Debt service	-	-	1,608,887	-	1,608,887
PEG	56,161	-	-	-	56,161
Tax increment financing	-	3,312,566	-	-	3,312,566
Capital improvements	1,721,377	-	-	17,162,932	18,884,309
Committed to:					
Parks and recreation	4,000	-	-	1,267,835	1,271,835
Public safety	21,637	-	-	-	21,637
Public works	23,545	-	-	-	23,545
Development	14,500	-	-	-	14,500
Assigned to:					
Parks and recreation	-	-	-	1,672,802	1,672,802
Unassigned	6,887,862	-	-	-	6,887,862
Total Fund Balance	9,096,068	3,312,566	1,608,887	21,352,233	35,369,754
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 9,820,878	$ 3,312,566	$ 3,869,516	$ 25,036,559	$ 42,039,519

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	$ 35,369,754
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	101,712,408
Less: accumulated depreciation	(17,506,122)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Bonds payable - General Obligation and Certificates of Obligation	(30,808,200)
Premiums and discounts incurred with issuance of debt - deferred and amortized	(2,794,000)
Tax Note payable	(5,070,000)
Capital Leases payable	(1,678,531)
Compensated absence balances	(641,052)
Net pension liabilities	(632,937)
Net OPEB liabilities	(119,861)
Deferred inflow/outflow of resources - pension	560,425
Deferred inflow/outflow of resources - OPEB	24,324
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the govenmental funds balance sheet.	(179,562)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	2,401,387
Net position of governmental activities - statement of net position	$ 80,638,033

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	TIRZ Funds	Debt Service	Capital Project Funds	Total Governmental Funds
REVENUE					
Taxes:					
Property	$ 4,737,982	$ 599,930	$ 3,366,545	$ -	$ 8,704,457
Sales	1,897,286	576,498	-	-	2,473,784
Beverage	3,749	-	-	-	3,749
Franchise	434,131	-	-	-	434,131
Fines and forfeitures	316,669	-	-	-	316,669
Licenses and permits	3,125,155	-	-	-	3,125,155
Charge for services	2,695,145	-	-	1,382,199	4,077,344
Impact fees	-	-	-	3,317,416	3,317,416
Donations	308,186	-	-	231,404	539,590
Developer fees	-	-	-	388,800	388,800
Intergovernmental revenue	2,779,636	-	304,940	-	3,084,576
Rental income	13,200	-	-	-	13,200
Investment income	11,075	-	1,005	15,018	27,098
Miscellaneous	75,576	-	-	-	75,576
Total revenues	16,397,790	1,176,428	3,672,490	5,334,837	26,581,545
EXPENDITURES					
Current:					
General government	1,744,633	5,880	3,342	-	1,753,855
Public safety	5,611,768	-	-	77,070	5,688,838
Library	236,382	-	-	-	236,382
Public works	1,049,096	-	-	715,804	1,764,900
Public services and operations	1,643,383	-	-	-	1,643,383
Parks and recreation	883,117	-	-	10,790	893,907
Capital outlays:		-			
General government	-	-	-	13,751,137	13,751,137
Public safety	801,500	-	-	2,573,891	3,375,391
Library	13,217	-	-	-	13,217
Public services	1,700	-	-	-	1,700
Public works	264,254	-	-	2,853,164	3,117,418
Parks and recreation	16,200	-	-	1,663,469	1,679,669
Debt service:					
Principal retirement	373,615	-	1,999,200	-	2,372,815
Interest	47,448	-	1,455,157	-	1,502,605
Total expenditures	12,686,313	5,880	3,457,699	21,645,325	37,795,217
Excess (deficiency) of revenues over expenditures	3,711,477	1,170,548	214,791	(16,310,488)	(11,213,672)
OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	(3,135)	(97,282)	-	(264,653)	(365,070)
Sale of assets	1,300	-	-	-	1,300
Issuance of capital lease	836,837	-	-	-	836,837
Total other financing sources (uses)	835,002	(97,282)	-	(264,653)	473,067
Net change in fund balances	4,546,479	1,073,266	214,791	(16,575,141)	(10,740,605)
Fund balances, beginning	4,549,589	2,239,300	1,394,096	37,927,374	46,110,359
Fund balances, ending	$ 9,096,068	$ 3,312,566	$ 1,608,887	$ 21,352,233	$ 35,369,754

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	$ (10,740,605)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	21,938,532
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations rather than sold are never reported in governmental funds.	7,166,481
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(4,720,072)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts and similar items when debt is issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt - capital lease	(836,837)
Principal paid - bonds, tax note payable and capital leases payable	2,372,815
Premium and discounts on debt issuance	147,750
Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:	
Change in compensated absence balances	(146,905)
Change in net pension and OPEB liability	(192,387)
Change in net pension deferred inflows/outflows	99,627
Change in total OPEB deferred inflows/outflows	23,377
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	1,226
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	(228,490)
Change in net position - statement of activities	$ 14,884,512

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 4,221,001	$ 4,705,329	$ 4,737,982	$ 32,653
Sales	1,470,000	1,492,662	1,897,286	404,624
Beverage	2,600	2,600	3,749	1,149
Franchise	330,000	330,000	434,131	104,131
Fines and forfeitures	243,750	243,750	316,669	72,919
Licenses and permits	1,482,850	1,811,152	3,125,155	1,314,003
Charge for services	2,018,503	2,020,703	2,695,145	674,442
Donations	20,950	321,350	308,186	(13,164)
Intergovernmental revenue	589,819	1,202,349	2,779,636	1,577,287
Rental income	16,000	16,000	13,200	(2,800)
Investment income	20,000	20,000	11,075	(8,925)
Miscellaneous	46,495	159,860	75,576	(84,284)
Total Revenues	10,461,968	12,325,755	16,397,790	4,072,035
EXPENDITURES				
Current:				
General Government	1,378,891	1,748,843	1,744,633	4,210
Public Safety:				
Police	3,139,289	3,493,922	3,347,635	146,287
Fire	2,106,037	2,297,982	2,264,133	33,849
Library	216,729	236,910	236,382	528
Public Works	1,017,403	1,050,121	1,049,096	1,025
Public Services and Operations	1,295,579	1,642,854	1,643,383	(529)
Parks and Recreation	858,567	883,214	883,117	97
Capital Outlays				
Fire	-	880,490	801,500	78,990
Library	15,000	15,000	13,217	1,783
Public Works	-	264,255	264,254	1
Public Services and Operations	25,000	57,950	1,700	56,250
Parks and Recreation	-	16,200	16,200	-
Debt Service				
Principal	362,017	373,621	373,615	6
Interest	47,456	47,455	47,448	7
Total Expenditures	10,461,968	13,008,817	12,686,313	322,504
Excess (deficiency) of revenues over (under) expenditures	-	(683,062)	3,711,477	4,394,539
Other Financing Sources (Uses)				
Transfers	-	-	(3,135)	(3,135)
Sale of Assets	-	-	1,300	1,300
Capital lease proceeds	-	869,787	836,837	(32,950)
Total Other Financing Sources (uses)	-	869,787	835,002	(34,785)
Net Change in Fund Balance	-	186,725	4,546,479	4,359,754
Fund Balance, October 1	4,549,589	4,549,589	4,549,589	
Fund Balance, September 30	$ 4,549,589	$ 4,736,314	$ 9,096,068	

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water and Sewer	Storm Water Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,383,918	$ -	$ 3,383,918
Investments	5,520,372	-	5,520,372
Receivables, net of uncollectibles	1,009,651	-	1,009,651
Unbilled revenue	724,954	-	724,954
Prepayments and deposits	10,080	-	10,080
Inventory	189,116	-	189,116
Restricted assets:			
Cash and cash equivalents	1,282,110	671,208	1,953,318
Investments	9,655,853	-	9,655,853
Receivables, net of uncollectibles	-	67,525	67,525
Total current assets	21,776,054	738,733	22,514,787
Capital Assets:			
Land	286,763	-	286,763
Buildings	235,326	-	235,326
Infrastructure	55,132,649	12,888,832	68,021,481
Machinery & equipment	1,279,808	153,402	1,433,210
Construction in progress	16,334,070	-	16,334,070
Less: accumulated depreciation	(13,029,796)	(1,687,919)	(14,717,715)
Total capital assets, net of accumulated depreciation	60,238,820	11,354,315	71,593,135
Total assets	82,014,874	12,093,048	94,107,922
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge for refunding	304,355	-	304,355
Deferred outflows of resources-pension	206,354	19,575	225,929
Deferred outflows of resources-OPEB	7,886	864	8,750
Total deferred outflow of resources	518,595	20,439	539,034
LIABILITIES			
Current liabilities:			
Accounts payable	482,254	1,697	483,951
Retainage payable	27,225	8,040	35,265
Other accrued liabilities	80,665	1,991	82,656
Payable from restricted assets:			
Accrued interest payable	27,075	-	27,075
Customer deposits	1,282,111	-	1,282,111
Compensated absences - current	849	628	1,477
Capital lease payable-current	57,164	9,186	66,350
Contractual Obligations-current	410,000	-	410,000
Bonds payable - current	335,710	-	335,710
Total current liabilities	2,703,053	21,542	2,724,595
Noncurrent liabilities:			
Net pension liabilities	183,842	4,635	188,477
Total OPEB liabilities	33,179	4,291	37,470
Compensated absences	122,321	5,489	127,810
Capital lease payable	153,875	51,209	205,084
Contractual Obligations	16,920,000	-	16,920,000
Bonds payable	6,732,929	-	6,732,929
Total noncurrent liabilities	24,146,146	65,624	24,211,770
Total liabilities	26,849,199	87,166	26,936,365
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-pension	47,824	6,916	54,740
Deferred inflows of resources-OPEB	2,240	228	2,468
	50,064	7,144	57,208
NET POSITION			
Net invested in capital assets	35,906,272	11,285,880	47,192,152
Restricted for:			
Use of impact fees	9,299,144	-	9,299,144
Storm water	-	733,297	733,297
Unrestricted	10,428,790	-	10,428,790
Total Net Position	$ 55,634,206	$ 12,019,177	$ 67,653,383

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer	Storm Water Drainage	Total
OPERATING REVENUES:			
Charges for services	$ 13,930,175	$ 614,839	$ 14,545,014
Miscellaneous	80,937	16,468	97,405
Total operating revenues	14,011,112	631,307	14,642,419
OPERATING EXPENSES:			
Personal services	1,365,676	96,774	1,462,450
Water purchases	2,019,839	-	2,019,839
Supplies and materials	520,740	6,934	527,674
Maintenance and repair	331,020	9,463	340,483
Lift Station	1,347,254	-	1,347,254
Utilities	100,473	-	100,473
Contractual services	2,685,145	60,502	2,745,647
Depreciation	3,994,416	1,062,259	5,056,675
Total operating expenses	12,364,563	1,235,932	13,600,495
Operating income (loss)	1,646,549	(604,625)	1,041,924
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	8,630	-	8,630
Impact fees	3,845,526	-	3,845,526
Interest expense	(706,092)	(2,000)	(708,092)
Total nonoperating revenues (expenses)	3,148,064	(2,000)	3,146,064
Income (loss) before transfers and capital contributions	4,794,613	(606,625)	4,187,988
Capital Contributions	7,367,312	3,240,973	10,608,285
Transfers in/(out)	365,070	-	365,070
Change in net position	12,526,995	2,634,348	15,161,343
Net Position, beginning	43,107,209	9,384,831	52,492,040
Net Position, ending	$ 55,634,204	$ 12,019,179	$ 67,653,383

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer	Storm Water Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 14,159,487	$ 624,270	$ 14,783,757
Other operating revenues (expenses)	80,939	16,469	97,408
Cash paid to employees	(1,305,492)	(95,008)	(1,400,500)
Cash paid to suppliers	(7,506,833)	(77,819)	(7,584,652)
Net cash provided (used) by operating activities	5,428,101	467,912	5,896,013
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	365,070	-	365,070
Net cash provided (used) by non-capital financing activities	365,070	-	365,070
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash from impact fees	3,845,526	-	3,845,526
Acquisition and construction of capital assets	(1,798,759)	(82,334)	(1,881,093)
Principal paid on long-term debt/capital lease	(796,511)	(23,396)	(819,907)
Interest and fiscal charges paid on long-term debt	(718,919)	(2,000)	(720,919)
Net cash (used for) capital & related financing activities	531,335	(107,730)	423,605
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	8,630	-	8,630
Net cash provided by investing activities	8,630	-	8,630
Net increase (decrease) in cash and cash equivalents	6,333,136	360,182	6,693,318
Cash and cash equivalents at beginning of year	13,509,117	311,026	13,820,143
Cash and cash equivalents at end of year	$ 19,842,253	$ 671,208	$ 20,513,461
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 1,646,549	$ (604,625)	$ 1,041,924
Adjustment to reconcile operating income to net cash Provided by operating activities			
Depreciation	3,994,416	1,062,259	5,056,675
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	1,148	9,433	10,581
Inventory	(85,687)	-	(85,687)
Increase (decrease) in liabilities:			
Accounts payable	(400,202)	(8,960)	(409,162)
Retainage payable	5,222	8,040	13,262
Customer deposits	228,162	-	228,162
Pension/OPEB/Comp absence liabilities	32,895	3,105	36,000
Other liabilities	5,598	(1,340)	4,258
Total adjustments	3,781,552	1,072,537	4,854,089
Net cash provided (used) by operating activities	$ 5,428,101	$ 467,912	$ 5,896,013
NON-CASH FINANCING ACTIVITIES:			
Contributions of capital assets from developers	$ 7,367,312	$ 3,240,973	$ 10,608,285

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
PID FIDUCIARY FUNDS
SEPTEMBER 30, 2021

	Arcadia Farms	Brookside	Crossroads	Whitewing Trails #2	Winchester	TOTAL
ASSETS						
Cash and cash equivalents	$ 939,350	$ 588,512	$ 2,584,189	$ 2,013,400	$ 355,033	$ 6,480,484
Special assessment receivable	8,484,000	6,693,000	8,635,000	16,060,000	4,830,000	44,702,000
Total assets	9,423,350	7,281,512	11,219,189	18,073,400	5,185,033	51,182,484
LIABILITIES						
Accounts payable	-	-	55,315	-	-	55,315
Long-term debt	8,484,000	6,693,000	8,635,000	16,060,000	4,830,000	44,702,000
Total liabilities	8,484,000	6,693,000	8,690,315	16,060,000	4,830,000	44,757,315
NET POSITION						
Restricted for public improvement districts	939,350	588,512	2,528,874	2,013,400	355,033	6,425,169
Total net position	$ 939,350	$ 588,512	$ 2,528,874	$ 2,013,400	$ 355,033	$ 6,425,169

CITY OF PRINCETON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PID FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Arcadia Farms	Brookside	Crossroads	Whitewing Trails #2	Winchester	Total
ADDITIONS						
Property owner assessments	$ 685,814	$ 292,668	$ 806,691	$ -	$ 341,938	$ 2,127,111
Assessments prepaid	28,901	27,401	484,424	-	-	540,726
Bond proceeds	-	3,029,310	-	-	-	3,029,310
Bond premium	-	40,499	-	-	-	40,499
Investment earnings	442	223	1,453	1,997	1,506	5,621
Total additions	715,157	3,390,101	1,292,568	1,997	343,444	5,743,267
DEDUCTIONS						
Payment to developer	-	2,653,294	309,698	1,519,513	3,500,000	7,982,505
Bond issuance costs	-	205,491	-	-	-	205,491
Administrative expenses	64,708	19,629	34,236	52,650	13,625	184,848
Debt Service	572,203	241,894	1,257,113	812,088	280,182	3,163,480
Total deductions	636,911	3,120,308	1,601,047	2,384,251	3,793,807	11,536,324
Change in Net Position	78,246	269,793	(308,479)	(2,382,254)	(3,450,363)	(5,793,057)
Net Position - beginning	861,104	318,719	2,837,353	4,395,654	3,805,396	12,218,226
Net Position - ending	939,350	588,512	2,528,874	2,013,400	355,033	6,425,169

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Princeton, Texas ("City") was incorporated in 1912 and has a Council/Manager form of government with a City Council comprised of Mayor and five council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles ("GAAP") for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitles *State and and Local Governments-Audit and Accounting Guide.* The more significant accounting policies of the City are described below:

1. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type, and activities of its discretely presented component units on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund and Debt Service Fund budget with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

2. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, an entity for which the government is considered to be financially accountable. These discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

* the organization is legally separate (can sue and be sued in their own name);
* the City appoints a voting majority of the organization's board;
* the City is able to impose its will on the organization;
* the organization has the potential to impose a financial benefit/burden on the City; or
* there is fiscal dependency by the organization on the City.

Discretely Presented Component Units - The Economic Development Corporation ("EDC") was incorporated October 1, 2005. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City. The Corporation promotes development of commercial real estate, fosters local prosperity, and offers a competitive advantage for new, relocating, and expanding businesses.

The Community Development Corporation ("CDC") was incorporated July 3, 1997. The CDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. These funds can be used for economic incentives and development and improvement in the quality of life for its citizens.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Reporting Entity (*continued*)

Blended Component Units - The City created Tax Increment Reinvestment Zone #1 (TIRZ) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ #1 was created December 2015 and will terminate in December 2045, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves their budgets and any debt issuances. The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and does not issue separate financial statements.

The City created Tax Increment Reinvestment Zone #2 (TIRZ) in August 2019 and will terminate in December 2050, or at which time the amount of the City's contribution of the Tax Increment into the Tax Increment Fund since the effective date of the Zone equals to a TIRZ par amount of $298,290 plus interest and TIRZ administrative expenses, as set forth in the Project and Finance plan, or at such time that all projects, tax increment bonds, notes and other obligations of the Zone, and the interest thereon, have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves budget and any debt issuance.The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and there was no activity as of the end of the current fiscal year.

The fund information for the discretely presented component units can be found in the supplementary information in this report. There are no separate financial statements issued for the discretely presented component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

3. Basis of Presentation, Basis of Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly excluded among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, and interest income).

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Projects Funds. The major proprietary funds are the Water and Sewer Fund and the Storm Water Drainage Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Basis of Presentation, Basis of Accounting *(continued)*

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary funds. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increase (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and storm water drainage are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds:

The *General Fund* accounts for several primary services (e.g., police, fire, public works, library, parks and recreation) and is the primary operating unit of the City.

The Debt Service *Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (*continued*)

The *Capital Projects Funds* accounts for the financing and improvements/construction of buildings and infrastructure including streets and sidewalks. Funds are provided primarily through bond sales and interest earnings and planned as part of the City's capital improvement plan.

The *TIRZ Fund* accounts for the property and sales taxes collected in the TIRZ zone for the purpose of funding infrastructure and projects in particular development areas.

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

The *Water and Sewer Fund* accounts for the operations of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed annually.

The *Storm Water Drainage Fund* accounts for the City's storm water development and maintenance to the residents of the City.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. All of the City's fiduciary activities are reported in separate statements. The activities of these funds are excluded from the City's operations because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectible.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued)*

d. Inventory

Inventory of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Prepayments and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recognized as prepayments and deposits in both the government-wide and fund financial statements. The cost of these items is recorded as expenditures/expenses when consumed/provided rather than when paid.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at acquisition value as of the time received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Infrastructure	30-45
Buildings and Improvements	15-45
Machinery and equipment	5-10

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has the following items that qualify for reporting in this category: (a) deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt; (b) pension and OPEB contributions after measurement date that are deferred and recognized in the following fiscal year; (c) the difference in projected and actual earnings on pension assets that is deferred and amortized over a closed five-year period; and (d) the difference between expected and actual pension and OPEB experience that is deferred and amortized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies in this category: the difference in expected and actual OPEB experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

h. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time) benefits. A liability for unpaid accumulated compensated absences is recorded in relation to these amounts in the government-wide and proprietary financial statements.

i. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

j. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making (the Council), or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts
   j. Fund Equity (continued)

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 90 days of total expenditures, with 8.34% or less being cause for concern. At the end of fiscal year 2021, the City is in compliance with this minimum fund balance policy.

k. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied

l. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, and are accounted for in both the governmental and proprietary funds.

n. Pensions

For purposes of measuring the net pension liability, pension related deferred inflows/outflows of resources, and pension expense, City specific information about its Fiduciary Net Position in TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Member's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The City contributes to the SDBF at a contractually required rte as determined by an annual actuarial valuation. The rate is based the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

o. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the fiscal year September 30, 2021, the City had a tax rate of $0.651215 per $100 assessed valuation based upon the maximum rates described above.

p. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

q. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

r. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management's to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

s. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued)*

t. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

u. GASB Pronouncement Implemented by the City

GASB Statement No. 84, *Fiduciary Activities* . This Statement was issued in January 2017 and provides guidance to enhance the consistency and compariability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarigying whether and how business-type activities should report their fiduciary activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

3. Budgets and Budgetary Accounting

The City adopts budgets for the General Fund and Debt Service Fund annually for the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budget revenues and expenditures. The General Fund budget appears in the basic financial statement section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

C. CASH AND INVESTMENTS

Pursuant to provisions of both the Texas Public Funds Investment Act (PFIA) and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage level are collateralized by securities held by a third party custodian and pledged to the City in an amount not less than 102% (on a market value basis) of the City's deposit of public funds and any accrued interest.

At September 30, 2021, the carrying amount of the City's deposits was $14,717,235 and the bank balance was $10,041,884. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC plus pledged collateral held by the City's agent bank in the City's name. Monthly collateral value reports are received from the bank as required by the City's investment policy.

Cash and investments as of September 30, 2021 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and cash equivalents	$ 5,394,129
Investments	15,013,249
Restricted cash and cash equivalents	9,323,106
Restricted investments	29,457,964
Total cash and cash equivalents	$59,188,448
Governmental - Restricted Cash & Investments	
Police seizure	$ 50,713
Debt service	325,054
American Rescue Act	1,721,377
Capital improvement	25,074,755
Total cash and cash equivalents	$27,171,899
Business-type- Restricted Cash & Investments	
Customer Deposits	$ 1,282,111
Storm Water	671,208
Capital projects	9,655,852
Total cash and cash equivalents	$11,609,171
Total Restricted Cash	$38,781,070

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Portfolio disclosures as of September 30, 2021 are as follows:

- All pledged collateral was held by an independent institution outside the bank's holding company and
- the portfolio contained no repurchase agreements

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost. The City does not have any limitations or restrictions on withdrawal.

C. DEPOSITS AND INVESTMENTS *(continued)*

Credit Risk
A primary stated objective of the City's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted investment policy includes only time and demand deposits, repurchase agreements, non-rated SEC register money market mutual funds, and commercial paper. All other investments are rated no lower than AAA or AAA-m, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies, or instrumentalities.

State law and the City's adopted investment policy restricts investment in SEC registered mutual funds to money market funds striving to maintain a $1 net value and defined by state law. Neither the state law nor the policy requires a rating.

As of September 30, 2021, the City had the following investments:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating at Year End
TexPool	$ 34,036,207	37	N/A	AAA-m
TexSTAR	9,903,595	43	N/A	AAA-m
Certificate of Deposit	531,411	144	N/A	N/A
	$ 44,471,213	73		

TexSTAR is administered by First Southwest Asset Management Inc. and JP Morgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

Interest Rate Risk
In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy sets a maximum stated maturity limit of three years. The dollar-weighted maturity allowed based on the stated maturity date for the portfolio is 270 days. Investment maturities for the debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three years.

Concentration of Credit Risk
The City recognizes over-concentration of assets by market sector or maturity is a risk to the portfolio. The City's adopted investment policy establishes diversification as a major objective of the investment program and set diversification limits for all authorized investment types which are monitored on at least a monthly basis.

C. DEPOSITS AND INVESTMENTS *(continued)*

Credit Risk (continued)

Diversification limits are set by policy as:

	% of portfolio
US Treasury Obligation	100%
US Government Agency Securities & Instrumentalities of Government-sponsored corporations	80%
Authorized local government investment pools	100%
Full collateralized certificates of deposit	50%
SEC-regulated no-lead money market mutual funds	10%

As of September 30, 2021, holdings in two local government investment pools represented 74% of the total portfolio. Reserve funds for the General and Business-type funds and customer deposits for water services accounts for 29% of the total. All remaining monies in investment pools represent funds for capital improvements.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margin on a daily basis.

D. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	TIRZ	Capital Projects	Debt Service	Water/Sewer	Storm Water Drainage	Total
Receivables:							
Taxes	$ 571,174	$ 86,805	$ -	$ 69,803	$ -	$ -	$ 727,782
Fees and Charges	1,401,107	-	-	-	1,916,617	73,239	3,390,963
Other	9,828	-	231,405	-	69,964	-	311,197
Gross Receivables	1,982,109	86,805	231,405	69,803	1,986,581	73,239	4,429,942
Less: allowances for uncollectible	(1,365,135)	-	-	-	(251,976)	(5,714)	(1,622,825)
Net Receivables	$ 616,974	$ 86,805	$ 231,405	$ 69,803	$ 1,734,605	$ 67,525	$ 2,807,117

The Proprietary Fund accounts receivable includes unbilled charges for services of $724,954 rendered as of fiscal year end.

E. LONG-TERM RECEIVABLES

The Community Development Corporation agreed to pay a portion of the City's 2011 General Obligation Refunding Bond by remitting to the City from the receipts of local sales and use taxes received by the Corporation.

The Community Development Corporation agreed to pay a portion of the City's 2019 Tax Note by remitting to the City from the receipts of local sales and use taxes received by the Corporation. The CDC's portion of the 2019 Tax Note is for the construction of the Community Center.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Long-term receivable-CDC	$ 316,190	$ -	$ (37,940)	$ 278,250	$ 35,245
Long-term receivable-CDC	1,054,577	-	(192,000)	862,577	193,205
	$ 1,370,767	$ -	$ (229,940)	$ 1,140,827	$ 228,450

Requirements as follows:

Year Ending Sept 30	Payment
2022	$ 228,450
2023	230,210
2024	228,360
2025	224,955
2026	228,852
	$ 1,140,827

The Economic Development Corporation agreed to pay a portion of the City's 2016 Certificates of Obligation to the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Long-term receivable-EDC	$ 1,125,000	$ -	$ (75,000)	$ 1,050,000	$ 75,000

Requirements as follows:

Year Ending Sept 30	**Payment**
2022	$ 75,000
2023	75,000
2024	75,000
2025	75,000
2026	75,000
2026-2031	375,000
2032-2035	300,000
	$ 1,050,000

F. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2021 is as follows:

Governmental Activities	Beginning Balances	Additions/ Transfers	(Decreases/ Transfers)	Ending Balances
Capital assets, not being depreciated				
Land	$ 2,107,212	$ -	$ -	$ 2,107,212
Construction in Progress	4,748,825	19,408,916	(3,430,743)	20,726,998
Total capital assets, not being depreciated	6,856,037	19,408,916	(3,430,743)	22,834,210
Capital assets, being depreciated:				
Buildings & Improvements	4,401,529	2,697,927	-	7,099,456
Infrastructure	53,190,635	9,107,772	-	62,298,407
Parks & Improvements	3,859,347	148,573	-	4,007,920
Machinery & Vehicles	4,299,845	1,172,570	-	5,472,415
Total capital assets being depreciated	65,751,356	13,126,841	-	78,878,198
Less accumulated depreciation for:				
Buildings & Improvements	(1,083,409)	(130,687)	-	(1,214,096)
Infrastructure	(7,736,161)	(3,842,083)	-	(11,578,244)
Parks & Improvements	(890,664)	(287,172)	-	(1,177,836)
Machinery & Vehicles	(3,075,816)	(460,130)	-	(3,535,946)
Total accumulated depreciation	(12,786,050)	(4,720,072)	-	(17,506,122)
Total capital assets, being depreciated, net	52,965,306	8,406,769	-	61,372,076
Governmental activities capital assets, net	$59,821,343	$27,815,685	$ (3,430,743)	$84,206,286

Business-type Activities	Beginning Balances	Additions/ Transfers	(Decreases/ Transfers)	Ending Balances
Capital assets, not being depreciated				
Land	$ 286,763	$ -	$ -	$ 286,763
Construction in Progress	15,674,708	2,430,211	(1,770,849)	16,334,070
Total capital assets, not being depreciated	15,961,471	2,430,211	(1,770,849)	16,620,833
Capital assets, being depreciated:				
Buildings & Improvements	235,326	-	-	235,326
Infrastructure	56,218,706	11,802,775	-	68,021,481
Machinery & Vehicles	1,405,970	27,240	-	1,433,210
Total capital assets being depreciated	57,860,002	11,830,015	-	69,690,017
Less accumulated depreciation for:				
Buildings & Improvements	(117,330)	(5,586)	-	(122,916)
Infrastructure	(8,693,456)	(4,907,090)	-	(13,600,546)
Machinery & Vehicles	(850,255)	(143,998)	-	(994,253)
Total accumulated depreciation	(9,661,041)	(5,056,674)	-	(14,717,715)
Total capital assets, being depreciated, net	48,198,961	6,773,341	-	54,972,302
Business-type activities capital asset, net	$64,160,432	$ 9,203,552	$ (1,770,849)	$71,593,135

F. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 23,768
Public Services	29,014
Public Safety	278,635
Public Works, including depreciation of general infrastructure assets	3,975,876
Parks and Cultural	412,779
Total depreciation expense - governmental activities	$ 4,720,072
Business-type activities:	
Water and Sewer	$ 3,994,415
Storm Water Drainage	1,062,259
Total depreciation expense - business-type activities	$ 5,056,674

The City and management did not take note of any significantly impaired capital assets that are idle at the end of the current fiscal year.

G. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2021. The projects include building construction, street infrastructure and improvements, and water/sewer infrastructure improvements. At fiscal year-end, the City's commitments with contractors are as follows:

Project Description	Project Budget Appropriation	Spent to Date	Remaining Commitment
City Hall	$16,278,832	$ 14,868,981	$ 1,409,851
Municipal park	4,449,344	1,547,069	2,902,275
GIS software	25,000	11,675	13,325
San Remo round-about	100,000	54,990	45,010
Myrick Lane	7,473,915	1,783,424	5,690,491
Fire Station #2	110,500	48,875	61,625
2nd Street Rehab	4,351,500	201,214	4,150,286
Cypress Bend @ Hwy 380	24,425	24,425	-
S Beauchamp Blvd	68,000	68,000	-
N Beauchamp Blvd	2,345,443	1,527,080	818,363
N 4th & Oak Streets	442,864	62,469	380,395
Boorman Lane	356,328	45,433	310,895
Sunnybrook	282,890	1,106	281,784
Tickey Creek Drive	1,830,731	207,917	1,622,814
Parks building	155,600	33,043	122,557
Recreation site-temp fields	123,960	19,318	104,642
JJ Wilson Memorial Park	192,050	176,750	15,300
Veteran's Memorial Park	122,000	45,229	76,771
Total Governmental	38,733,382	20,726,998	18,006,384

G. CONSTRUCTION COMMITMENTS (continued)

Project Description	Project Budget Appropriation	Spent to Date	Remaining Commitment
GIS software	25,000	9,975	15,025
Tickey Creek bank stabilization	72,000	22,923	49,077
College Str lift station	1,600,000	162,915	1,437,085
S Elevated Storage tank	85,000	435,359	(350,359)
6th Str water line	549,990	54,700	495,290
12" water line @ Hwy 380	80,425	75,713	4,712
Tickey Creek - Ph II	350,700	343,985	6,715
Myrick Lane sewer line	30,000	28,500	1,500
Total Business-type	2,793,115	1,134,070	1,659,045
TOTAL	$ 41,526,497	$ 21,861,068	$19,665,429

H. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2021, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
General obligations bonds & Certificates of Obligation	$ 31,857,400	$ -	$ (1,049,200)	$ 30,808,200	$ 1,355,500
Less: for bond discounts	3,176,825	-	(163,153)	3,013,672	163,154
Plus: for bond premiums	(235,075)	-	15,403	(219,672)	(15,403)
Tax note	6,020,000	-	(950,000)	5,070,000	965,000
Total Bonds Payable	40,819,150	-	(2,146,950)	38,672,200	2,468,251
Capital lease payable	1,215,309	836,837	(373,615)	1,678,531	319,346
Compensated absences	494,147	426,480	(279,575)	641,052	38,621
Governmental activity Long-term Debt	$ 42,528,606	$ 1,263,317	$ (2,800,140)	$ 40,991,783	$ 2,826,218

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
General obligations bonds & Certificates of Obligation	$ 7,072,600	$ -	$ (345,800)	$ 6,726,800	$ 354,500
Plus: for bond premiums	377,941	-	(21,264)	356,677	(21,264)
Less: for bond discounts	(17,312)	-	2,474	(14,838)	2,474
Total Bonds Payable	7,433,229	-	(364,590)	7,068,639	335,710
Capital lease payable	345,542	-	(74,108)	271,434	66,350
Contractual obligations-GTUA	17,730,000	-	(400,000)	17,330,000	410,000
Compensated absences	104,686	71,761	(47,160)	129,287	1,477
Business-type activity Long-term Debt	$ 25,613,457	$ 71,761	$ (885,858)	$ 24,799,360	$ 813,537

The City does not have any unused lines of credit.

Compensated absences
Compensated absences represent the estimated liability for employees' accrued vacation leave and comp time for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

H. LONG-TERM OBLIGATIONS (continued)

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2020	Issued	Retired	Amounts Outstanding September 30, 2021	Due Within One Year
2009 Series, CO	4.13%	$ 4,315,000	$ 2,295,000	$ -	$ (120,000)	$ 2,175,000	$ 125,000
2011 Series, GO	2.00%	1,439,500	562,400	-	(59,200)	503,200	55,500
2019 Tax Note	2.20%	7,790,000	6,020,000	-	(950,000)	5,070,000	965,000
2014 Series, CO	2.50%	1,285,000	1,040,000	-	(60,000)	980,000	60,000
2015 Series, CO	2.50%	3,245,000	2,690,000	-	(140,000)	2,550,000	145,000
2016 Series, CO	2.00%	8,465,000	7,905,000	-	(385,000)	7,520,000	400,000
2020 Series, CO		17,365,000	17,365,000	-	(285,000)	17,080,000	570,000
Total Bonds/Notes Payable		43,904,500	37,877,400	-	(1,999,200)	35,878,200	2,320,500
Capital lease - BB&T		1,489,406	1,119,465	-	(213,709)	905,756	218,412
Capital lease - Dodge Durango		34,550	18,002	-	(11,826)	6,176	6,176
Capital lease - Quint		782,000	-	782,000	(70,046)	711,954	71,744
Capital lease - 2-2018 Police		128,033	55,662	-	(44,251)	11,411	11,411
Capital lease - 2018 F150		28,842	9,751	-	(9,751)	-	-
Capital lease - Street Sweeper		54,837	-	54,837	(11,603)	43,234	11,603
Capital lease - F350 & Gator		59,647	12,429	-	(12,429)	-	-
Totals		$ 46,481,815	$ 39,092,709	$ 836,837	$ (2,372,815)	$ 37,556,731	$ 2,639,846

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	$ 2,320,500	$ 1,265,331	$ 3,585,831
2023	2,399,200	1,198,026	3,597,226
2024	2,470,500	1,115,017	3,585,517
2025	2,544,200	1,029,291	3,573,491
2026	2,632,900	942,992	3,575,892
2027-2031	8,890,900	3,539,609	12,430,509
2032-2036	9,780,000	1,780,372	11,560,372
2037-2040	4,840,000	396,800	5,236,800
Totals	$ 35,878,200	$11,267,438	$47,145,638

$1,439,500 of Series 2011 General Obligation Refunding Bonds issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Bonds and the Series 2010 Tax and Revenue Certificates of Obligation. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

$4,315,000 of Series 2009 Combination Tax and Surplus Revenue Certificates of Obligation were issued August 25, 2009 for the purpose of construction and improvements of streets. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment for principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

$1,285,000 of Series 2014 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2014 to finance water and sewer system improvements and street improvements. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

H. LONG-TERM OBLIGATIONS

Changes in Governmental Long-term Debt (continued)

$3,245,000 of Series 2015 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2015 to pay the City's contractual obligations to be incurred in connection with the design, construction, engineering, and equipping of improvements to infrastructure and buildings. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

$8,465,000 of Series 2016 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 24, 2016 for the design, construction, engineering, and equipping of (1) constructing and improving new and existing streets and roads, sidewalks and related signage and lighting; expansion of Public Works facility; design costs for new City Hall; park improvements including trail improvements; and (2) paying costs and fees associated with projects and issuance of bonds. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or optional redemption.

$17,365,000 of 2020 Certificates of Obligation was issued May 11, 2020 to acquire, construct, design and engineering a new City Hall including related landscaping, fountains, lighting, parking and signage and other professional services in connection with these projects. These bonds are secured by the levy and collection of ad valorem taxes by the City.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2020	Issued	Retired	Amounts Outstanding September 30, 2021	Due Within One Year
2007 Series, GO	4.00%	$ 1,275,000	$ 620,000	$ -	$ (70,000)	$ 550,000	70,000
2007 Series, CO	4.00%	8,250,000	350,000	-	(220,000)	130,000	130,000
2011 Series, GO	2.00%	490,500	197,600	-	(20,800)	176,800	19,500
2015 Series, GO	3.00%	6,100,000	5,905,000	-	(35,000)	5,870,000	135,000
Total Bonds Payable		16,115,500	7,072,600	-	(345,800)	6,726,800	354,500
Contractual oblig - GTUA, 2019Ref		5,290,000	2,795,000	-	(265,000)	2,530,000	275,000
Contractual oblig - GTUA, 2018		15,200,000	14,935,000	-	(135,000)	14,800,000	135,000
Capital lease - BB&T		505,813	336,356	-	(64,922)	271,434	66,350
Capital lease - F350		44,087	9,186	-	(9,186)	-	-
Totals		$ 37,155,400	$ 25,148,142	$ -	$ (819,908)	$ 24,328,234	$ 830,850

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	$ 354,500	$ 241,832	$ 596,332
2023	365,800	228,739	594,539
2024	374,500	216,526	591,026
2025	390,800	203,877	594,677
2026	402,100	190,019	592,119
2027-2031	1,845,000	726,469	2,571,469
2032-2036	2,074,100	384,043	2,458,143
2037-2038	920,000	37,200	957,200
Totals	$ 6,726,800	$ 2,228,705	$ 8,955,505

H. LONG-TERM OBLIGATIONS

Changes in Business-type Long-term Debt (continued)

$1,275,000 Series 2007 General Obligation Refunding Bonds were issued December 11, 2007 for the purpose of refinancing the $1,275,000 Series 2003. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or optional redemption.

$8,250,000 Series 2007, Combination Tax and Surplus Revenue Certificates of Obligation were issued December 11, 2007 for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

$490,500 Series 2011, General Obligation Refunding Bonds were issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

$6,100,000 Series 2015, General Obligation Refunding Bonds were issued October 28, 2015. These proceeds were used to advance refund $5,930,000 of outstanding Series 2007 General Obligation Refunding Bonds which had an interest rate of 4.00%. The net proceeds of $6,227,204 (including a $378,255 premium and after payment of $134,925 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $5,930,000 of Series 2007 debt is considered defeased and that amount of the liability for those bonds has been removed from the statement of net position. The Series 2007 bonds still have $950,000 of non-refunded debt recorded on the statement of net position at September 30, 2021. The reacquisition price exceeded the net carrying amount of the old debt by $127,204. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded Series 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 22 years by $1,270,735 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $893,533. These bonds are secured by the pledge of net revenue from the City's waterworks and sewer system. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

The City intends to retire all its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Fund.

I. CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

Under the terms of long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA certificates of obligation.

The City has contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The City's obligation to GTUA for the current fiscal year was $853,007. This is recorded as maintenance and operating expense in the Water and Sewer Fund.

I. CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY *(continued)*

In 2009, GTUA agreed to issue revenue bonds for improvements and to increase capacity to the City's existing wastewater treatment plant facilities. In March 2019, these bonds were part of a refunding series issued by GTUA. The balance of this refunding debt is $2,530,000 and will be paid in full in September 2029.

In 2018, GTUA agreed to issue revenue bonds in the amount of $15,200,000 to finance the planning, acquisition, design, and construction of certain water system improvements identified by the City as the Forest Grove pump station. The pump station is slated to go online in the Spring of 2022. The balance of the bonds is $14,800,000 and will be paid in full in FY2048.

Minimum contractual commitments to be paid to GTUA by the City are as follows:

Year Ending September 30:	Principal	Interest	Total Requirement
2022	$ 410,000	$ 441,138	$ 851,138
2023	420,000	428,626	848,626
2024	435,000	415,444	850,444
2025	450,000	401,433	851,433
2026	460,000	386,765	846,765
2027-2031	2,660,000	1,750,705	4,410,705
2032-2036	3,180,000	1,343,662	4,523,662
2037-2041	3,560,000	957,648	4,517,648
2042-2046	4,010,000	510,666	4,520,666
2047-2048	1,745,000	64,612	1,809,612
Total Payments	$ 17,330,000	$ 6,700,699	$ 24,030,699

J. CAPITAL LEASES

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The terms of the leases range from 3 - 7 years and call for monthly, quarterly, and annual payments over the life of the lease. The future minimum lease payments under the capitalized leases and the net present value of the future minimum lease payments at September 30, 2021, are as follows:

	Governmental Activities	Business-type Activities	Total
Assets			
Machinery and Equipment	$ 2,577,315	$ 549,900	$ 3,127,215
Less: accumulated amortization	(898,784)	(278,466)	(1,177,250)
Total	$ 1,678,531	$ 271,434	$ 1,949,965

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021 were as follows:

J. CAPITAL LEASES *(continued)*

	Governmental		Business-type		
	Principal	Interest	Principal	Interest	TOTAL
Year Ending September 30:					
2022	$ 319,346	$ 38,508	$ 66,350	$ 6,034	$ 430,238
2023	307,349	31,527	67,809	4,575	411,260
2024	314,349	24,527	69,301	3,083	411,260
2025	323,109	17,366	67,974	1,558	410,007
2026	78,955	10,042	-	-	88,997
2027-2030	335,423	20,565	-	-	355,988
TOTAL	1,678,531	142,535	271,434	15,250	2,107,750

K. OPERATING LEASES

The City leases the building that houses City Hall, utility billing, and management offices and a building for Parks and Recreation, Development/Code and Community Relation offices. The total cost for these leases for the current fiscal year was $177,596. The other operating leases that the City is under obligation for relate to office equipment, web services, and internet services. Operating leases for vehicles is for a 36-month term. Lease payments are made monthly. The City paid $120,000 in lease expense during the fiscal year.

The future minimum lease payments for these leases are as follows:

FYE Sept 30	Building	Office Eqpt & Services	Vehicles
2022	$ 87,832	$ 28,908	$ 195,431
2023	-	28,908	251,299
2024	-	28,908	251,299
2025	-	28,908	281,299
2026	-	28,908	281,299
	$ 87,832	$ 144,540	$ 1,260,627

With the completion of the new City Municipal Complex, the monthly leases for City Hall and Parks buildings will expire in February 2022.

L. PENSION PLAN

1. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.org.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

L. PENSION PLAN

2. Benefits Provided *(continued)*

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their treatment benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year	
	2020	2021
Employee deposit rate	7.00%	7.00%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

The City also participates in Social Security.

Amortization Bases and Payments

Year Established	Description	Years Remaining	Base	Payment
2013	2013 Valuation (Fresh Start)	23	$ 430,589	$ 28,513
2014	2014 Experience	23	(106,224)	(7,034)
2015	2015 Experience	23	(86,728)	(5,743)
2015	2015 Actuarial Changes	25	9,169	577
2016	2016 Experience	21	109,494	7,684
2017	2017 Experience	22	50,615	3,447
2018	2018 Experience	23	89,340	5,916
2019	2019 Experience	24	310,245	20,011
2019	2019 Actuarial Changes	24	37,581	2,424
2020	2020 Experience	20	265,913	19,271
	TOTAL		$ 1,109,994	$ 75,066

L. PENSION PLAN

2. Benefits Provided *(continued)*

Employees covered by benefit terms:
At December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year	
Number of:	2019	2020
Inactive employees or beneficiaries currently receiving benefits	18	18
Inactive employees entitled to but not yet receiving benefits	33	34
Active employees	98	104
Total	149	156

3. Contributions

The contribution rates for the employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City's matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.41% and 11.57% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $656,876 and were slightly more than required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2020, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%, per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

L. PENSION PLAN

4. Net Pension Liability *(continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative assets allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (aggressive) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	$ 8,454,165	$ 7,816,149	$ 638,016
Service cost	1,061,392	-	1,061,392
Interest (on the total pension liability)	599,821	-	599,821
Difference between expected and actual experience	196,597	-	196,597
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(197,248)	(197,248)	-
Contributions - employer	-	656,876	(656,876)
Contributions - employee	-	427,734	(427,734)
Net investment income	-	593,791	(593,791)
Administrative expense	-	(3,839)	3,839
Other	-	(150)	150
Net changes	1,660,562	1,477,164	183,398
Balance at December 31, 2020	$10,114,727	$ 9,293,313	$ 821,414

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) and 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 2,664,316	$ 821,414	$ 644,521

L. PENSION PLAN

4. Net Pension Liability *(continued)*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of $758,126.

At September 30, 2021, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	$ 398,127	$ -
Changes in actuarial assumptions	24,338	-
Difference between projected and actual investment earnings	-	(217,388)
Contributions subsequent to the measurement date	526,536	-
Changes in the Net Pension Liability	$ 949,001	$ (217,388)

$526,536 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:
December 31

2021	$ 38,567
2022	100,022
2023	(18,808)
2024	62,064
2025	23,232
Thereafter	-
Total	$ 205,077

M. OTHER POSTEMPLOYMENT BENEFITS

1. Plan Description

The City participates in a defined benefit group-term life insurance plan that is administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire career.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

M. OTHER POSTEMPLOYMENT BENEFITS *(continued)*

2. Benefits Provided

Employees covered by benefit terms:
At December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *	Plan Year	
Number of:	2019	2020
Inactive employees currently receiving benefits	12	13
Inactive employees entitled to but not yet receiving benefits	2	3
Active employees	98	104
Total	112	120

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	$ 113,925
Changes for the year	
Service cost	18,331
Interest on total OPEB liability	3,377
Changes in benefit terms	-
Differences between expected and actual experience	(1)
Changes in assumptions or other inputs	22,310
Benefit payments **	(611)
Net changes	43,406
Total OPEB Liability - end of year	$ 157,331

** Due to the SDBF being considered an unfunded OPEB plan under GASB75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 194,883	$ 157,331	$ 128,580

OPEB Expense:	
Service cost	18,331
Interest on total OPEB liability	3,377
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience[1]	(1,639)
Changes in assumptions or other inputs[2]	5,866
Total OPEB Liability - end of year	$ 25,935

M. OTHER POSTEMPLOYMENT BENEFITS *(continued)*

2. Benefits Provided

Schedule of Outflows and Inflows - Current and future expense

	Deferred (Inflow) of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	$ (8,654)	$ -
Changes in assumptions and other inputs	-	33,780
Contributions subsequent to the measurement date	-	5,480
Total	$ (8,654)	$ 39,260

$5,480 reported as deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Net deferred outflows (inflows) of resources:

December 31	
2021	$ 4,227
2022	4,227
2023	4,227
2024	3,794
225	4,060
Thereafter	4,591
Total	$ 25,126

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan Year	Total SDBF Contribution	Retiree Portion of SDB Contribution
2017	$ 3,927	$ 654
2018	$ 5,734	$ 819
2019	$ 6,859	$ 980
2020	$ 6,370	$ 1,158
2021	$ 6,831	$ 1,242

N. VOLUNTEER FIREFIGHTERS RETIREMENT

The City participates in the Texas Emergency Services Retirement System (TESRS). This is a pension system for volunteer firefighters and first responders. Members are half-vested at 10 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. Members are fully-vested at 15 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. The City currently has 18 volunteer firefighters participating. During the fiscal year, $5,436 was paid to TESRS.

O. HEALTH CARE COVERAGE

During the year ended September 30, 2021, employees of the City were covered by a health, dental, and vision insurance plans. The City contributed $688 per month per employee for employee coverage and $0 for dependent's health insurance. The City contributed $3.42 per month per employee (100% of the cost per employee) for dental insurance and $6 per month per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

P. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2020-2021.

Q. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

R. ECONOMIC INCENTIVES

The City enters into economic development agreements designed to promote development within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property base and economic vitality of the City. These programs may abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and the Revenue Sharing Agreement as covered under Texas Tax Code § 321.3022(b), which allows a a municipality to request that the State Comptroller provide information related to the amount of sales and use tax paid during the preceding or current calendar year. The City has entered into one incentive agreement; however, no payments have been made as of September 30, 2021.

S. ADDITIONAL WATER AND SEWER INFORMATION

The City secures its water supply from the North Texas Municipal Water District ("NTMWD"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"), the City being authorized by statute to appoint two of those members. The board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee, or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return, the City agreed to pay the District at a rate of $2.99 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was $1,642,140.

The following information is included at the request of the Texas Water Development Board for the year under audit.
Water Accountability Report:

Gallons Pumped	815,232,000
Gallons Billed	585,504,500

T. TRANSFERS

Transfers between funds were primarily due to governmental portion of capital improvements:

Transfers Out	Utility Fund	
General Fund	3,135	Correct developer escrow payment
TIRZ	97,282	capital infrastructure
Capital Improvements	264,653	capital infrastructure
	365,070	

U. RESTATEMENT OF BEGINNING FUND BALANCE

It has been determined that vehicles that are being paid to Enterprise Fleet are not capital expenditures. These are lease payments and these vehicles should not be recorded as capital purchases and depreciated. The following is the detail of the net restatement of the beginning fund balance in the amount of $36,296 of the governmental activities in the government-wide statements.

Vehicle purchase	$ (361,127)
Acumulated depreciation	83,668
Capital lease payable	241,163
	$ (36,296)

Contractual obligations paid to the Greater Texoma Utility Authority have been reclassified from operating expenses in the Water and Sewer Fund to the reduction of the contract revenue bonds used to finance City infrastructure projects. With this reclassification, the assets associated with these contractual obligations have been retroactively recorded. The following is the detail of the net restatement of the beginning fund balance in the amount of $472,796 for the business-type activities.

Infrastructure improvements	$ 4,213,005
Accumulated depreciation	(606,129)
Construction in process	15,200,000
Contractual obligation liabilities	(17,730,000)
Funds held in trust and payable, net	(604,080)
	$ 472,796

V. PUBLIC IMPROVEMENT DISTRICTS

Special Assessment Revenue bonds are issued by the City for the Public Improvement Districts (PID) and are secured solely from assessment revenues generated by each PID. The City is not obligated in any manner for this special assessment debt but merely acts as the developer's agent in handling the debt service by each PID and forwarding to the Trustee for payment to the bond holders. The Trustee for the bond proceeds were deposited into trust accounts with Regions Bank for the purpose of funding improvements in the projects. Regions Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the Trustee.

	Original Issue	Payments/ Redemptions	Balance as of 9/30/2021
Special Assessment Revenue Bonds, Series 2018 (5/2018) Arcadia Farms Public Improvement District Phases 1 & 2	$ 3,190,000	$ (110,000)	$ 3,080,000
Special Assessment Revenue Bonds, Series 2018 (9/2018) Crossroads Public Improvement District Major Improvements	9,485,000	(850,000)	8,635,000
Special Assessment Revenue Bonds, Series 2019 (5/2019) Brookside Public Improvement District Phase 1	3,685,000	(65,000)	3,620,000
Special Assessment Revenue Bonds, Series 2019 (6/2019) Arcadia Farms Public Improvement District Phases 8 & 9	3,090,000	(476,000)	2,614,000

V. PUBLIC IMPROVEMENT DISTRICTS *(continued)*

Special Assessment Revenue Bonds, Series 2019 (9/2019) Whitewing Trails Public Improvement District No. 2 Ph 2-6 MIA	8,210,000	-	8,210,000
Special Assessment Revenue Bonds, Series 2019 (9/2019) Whitewing Trails Public Improvement District No. 2 Phase 1	7,850,000	-	7,850,000
Special Assessment Revenue Bonds, Series 2020 (7/2020) Arcadia Farms Public Improvement District Phases 3 & 4	2,837,000	(47,000)	2,790,000
Special Assessment Revenue Bonds, Series 2020 (7/2020) Winchester Public Improvement District Phases 1 & 2	4,905,000	(75,000)	4,830,000
Special Assessment Revenue Bonds, Series 2019 (6/2021) Brookside Public Improvement District Phases 2 & 3	3,123,000	(50,000.00)	3,073,000
	$46,375,000	$ (1,673,000)	$ 44,702,000

W. SUBSEQUENT EVENTS

In October 2021, the City Council approved the issuance of the 2021 Certificates of Obligation for streets and park improvements in the amount of $10,800,000.

In October 2021, the City Council approved the issuance of the 2021 General Obligation Refunding Bonds in the amount of $3,170,000. These GO Bonds refunded the 2009 CO, 2007 GO and 2011 CO.

In October 2021, the City Council approved the issuance of the 2021 Special Assessment Revenue Bonds for Winchester Public Improvement District Phases 3 & 4 in the amount of $5,088,000.

Management has evaluated all events and transactions that occurred after September 30, 2021 up through May 2, 2022, the date of the financial statements were available to be issued. Other than the disclosures directly above, the City is not aware of any additional events requiring financial statement disclosure other than those mentioned within the report.

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Economic Development Corporation ("EDC") is a discretely presented component on the combined financial statements. The EDC was incorporated October 1, 2005 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION (continued)

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2021 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	$ 3,847,798
Checking account	$ 426,403
Investment Pools	3,421,395
Total cash and cash equivalents	$ 3,847,798

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of September 30, 2021, EDC had the following investment:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating as of Year End
TexPool	$ 3,421,395	37	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were $251,387 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Note Receivable

The Economic Development Corporation entered into an agreement with PTX Storage, LLC for the purchase of land in the business park in December, 2019. The total of the land sale was $1,431,909 with 30% being paid at time of sale. The remainder amount of $1,002,337 is to be due in December, 2021. Interest payments are to be made monthly beginning in January 2020; however, due to the COVID-19 pandemic, a 3-month deferment was approved. Note receivable was paid in full in August 2021.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-EDC	$ 1,002,337	$ -	$ (1,002,337)	$ -	$ -

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION (continued)

4. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 887,945	$ -	$ (101,750)	$ 786,195
Total capital assets, not being depreciated:	887,945	-	(101,750)	786,195
Capital assets, being depreciated:				
Infrastructure	503,434	-	-	503,434
Machinery & Equipment	16,278	-	-	16,278
Total capital assets being depreciated:	519,712	-	-	519,712
Less accumulated depreciation for:				
Infrastructure	(25,172)	(12,586)	-	(37,758)
Machinery & Equipment	(12,193)	(2,334)	-	(14,527)
Total accumulated depreciation	(37,365)	(14,920)	-	(52,285)
Total capital assets, being depreciated, net	482,347	(14,920)	-	467,427
Governmental activities capital assets, net	$ 1,370,292	$ (14,920)	(101,750)	$ 1,253,622

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2021 is as follows:

Description	Amounts Issue	Amounts Outstanding September 30, 2020	Issued	Retired	Amounts Outstanding September 30, 2021	Due Within One Year
Long-term Payable-City	$ 1,152,000	$ 1,125,000	$ -	$ (75,000)	$ 1,050,000	$ 75,000
Total Long-term Payable	1,152,000	1,125,000	-	(75,000)	1,050,000	75,000
Compensated Absence*	-	9,150	-	(9,150)	-	-
	$ 1,152,000	$ 1,134,150	$ -	$ (84,150)	$ 1,050,000	$ 75,000

* There were not any employees in the EDC for fiscal year ended September 30, 2021.

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2022	$ 75,000
2023	75,000
2024	75,000
2025	75,000
2026	75,000
2027-2031	375,000
2032-2035	300,000
Totals	$ 1,050,000

The EDC agreed to pay a portion of the 2016 Certificate of Obligations for the streets and roads, drainage, and streetscape improvements for the Industrial Park.

6. Litigation

Management is not aware of any pending or threatened litigation involving the EDC.

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION (continued)

7. Subsequent Events

The EDC has evaluated all events and transactions that occurred after September 30, 2021 up through May 2, 2022, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure other than those mentioned within the report.

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Community Development Corporation ("CDC") is a discretely presented component on the combined financial statements. The CDC was incorporated July 3, 1997 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, buildings, equipment, facilities, expenditures for targeted infrastructure, and improvements throughout the City.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None	n/a

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Violation	Action Taken
None	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2021 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	$ 1,294,093
Checking account	$ 1,836
Investment Pools	1,292,257
Total cash and cash equivalents	$ 1,294,093

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION *(continued)*

As of September 30, 2021, CDC had the following investment:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating as of Year End
TexPool	$ 1,292,257	37	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were $251,387 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	$ 810,488	$ 405,465	$ -	$ 1,215,953
Total capital assets, not being depreciated:	810,488	405,465	-	1,215,953
Capital assets, being depreciated:				
Building and improvements	138,557	-	-	138,557
Machinery and equipment	9,275	-	-	9,275
Total capital assets being depreciated:	147,832	-	-	147,832
Less accumulated depreciation for:				
Building and improvements	(18,763)	(3,464)	-	(22,227)
Machinery and equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	(28,038)	(3,464)	-	(31,502)
Total capital assets, being depreciated, net	119,794	(3,464)	-	116,330
Governmental activities capital assets, net	$ 930,282	$ 402,001	$ -	$ 1,332,283

4. Construction Commitments

The CDC has one active construction project as of September 30, 2021 for Community Center.

Project Description	Project Budget Appropriation	Spent to Date	Remaining Commitment
Community Center-	$ 1,420,354	$ 1,215,954	$ 204,400

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2021 is as follows:

Description	Amounts Issued	Amounts Outstanding September 30, 2020	Issued	Retired	Amounts Outstanding September 30, 2021	Due Within One Year
Long-term payable-City	$ 941,259	$ 316,190	$ -	$ (37,940)	$ 278,250	$ 35,245
Long-term payable-City	1,245,000	1,054,577	-	(192,000)	862,577	193,205
Total Long-term Payable	2,186,259	1,370,767	-	(229,940)	1,140,827	228,450
Compensated Absence*	-	9,150	-	(9,150)	-	-
	$ 2,186,259	$ 1,379,917	-	$ (239,090)	$ 1,140,827	$ 228,450

* There were not any employees in the CDC for fiscal year ended September 30, 2021.

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION *(continued)*

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2022	$ 228,450
2023	230,210
2024	228,360
2025	224,955
2026	228,852
Totals	$ 1,140,827

The CDC agreed to pay a portion of the City's 2011 General Obligation bonds.

The CDC agreed to pay $1,245,000 of the 2019 Tax Note for the improvements to the Community Center.

8. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

9. Subsequent Events

In October 2021, the City Council approved the issuance of the 2021 Certificates of Obligation for streets and park improvements in the amount of $10,800,000. The CDC agreed to reimburse the City $5,295,000 of which these funds are to be used for park improvements. The reimbursement will begin in FY22 and be paid in full in FY2041.

The CDC has evaluated all events or transactions that occurred after September 30, 2021 up through May 2, 2022, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure other than those mentioned within this report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST SEVEN YEARS (UNAUDITED)

	FISCAL YEAR				
	2015	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 245,654	$ 268,209	$ 348,806	$ 441,941	$ 526,669
Contributions in relation to the actuarially determined contribution	$ 253,243	$ 253,725	$ 348,680	$ 441,024	$ 527,057
Contributions deficiency (excess)	$ (7,589)	$ 14,484	$ 126	$ 917	$ (388)
Covered payroll	$ 2,168,175	$ 2,527,893	$ 3,272,097	$ 4,095,842	$ 4,899,250
Contributions as a percentage of covered payroll	11.33%	10.61%	10.66%	10.79%	10.75%

	FISCAL YEAR	
	2020	**2021**
Actuarially determined contribution	$ 622,562	$ 708,530
Contributions in relation to the actuarially determined contribution	$ 629,357	$ 697,566
Contributions deficiency (excess)	$ (6,795)	$ 10,964
Covered payroll	$ 5,791,275	$ 6,209,727
Contributions as a percentage of covered payroll	10.75%	11.41%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. GASB 68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes — Actuarially determined contribution rates are calculated as of December 31 and becomes effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employer tables used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes — There were no benefit changes during the year.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS (UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TMRS

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability							
Service cost	$ 1,061,392	$ 877,804	$ 729,872	$ 588,068	$ 422,523	$ 339,669	$ 270,343
Interest (on the Total Pension Liability)	599,821	493,867	422,272	365,981	318,863	302,819	281,321
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	196,597	293,353	74,525	43,938	94,966	(104,990)	(89,706)
Change of assumptions	-	37,494	-	-	-	4,858	-
Benefit payments, including refund of employee contributions	(197,248)	(252,000)	(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
Net Change in Total Pension Liability	1,660,562	1,450,518	998,732	756,034	636,148	370,813	254,492
Total Pension Liability - Beginning	8,454,168	7,003,650	6,004,918	5,248,884	4,612,736	4,241,923	3,987,431
Total Pension Liability - Ending (a)	$ 10,114,730	$ 8,454,168	$ 7,003,650	$ 6,004,918	$ 5,248,884	$ 4,612,736	$ 4,241,923
Plan Fiduciary Net Position							
Contributions - employers	$ 656,876	$ 552,995	$ 462,168	$ 368,823	$ 264,028	$ 228,154	$ 166,531
Contributions - employees	427,734	360,177	299,830	242,288	173,775	142,462	127,401
Net investment income	593,791	958,656	(174,886)	666,064	289,272	6,036	216,789
Benefit payments, including refund of employee contributions	(197,248)	(252,000)	(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
Administrative expense	(3,839)	(5,418)	(3,385)	(3,458)	(3,275)	(3,676)	(2,263)
Other	(150)	(160)	(177)	(175)	(176)	(182)	(186)
Net Change in Plan Fiduciary Net Position	1,477,164	1,614,250	355,613	1,031,589	523,420	201,251	300,806
Plan Fiduciary Net Position - Beginning	7,816,152	6,201,902	5,846,289	4,814,700	4,291,280	4,090,029	3,789,223
Plan Fiduciary Net Position - Ending (b)	$ 9,293,316	$ 7,816,152	$ 6,201,902	$ 5,846,289	$ 4,814,700	$ 4,291,280	$ 4,090,029
Net Pension Liability - Ending (a)-(b)	$ 821,414	$ 638,016	$ 801,748	$ 158,629	$ 434,184	$ 321,456	$ 151,894
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.88%	92.45%	88.55%	97.36%	91.73%	93.03%	96.42%
Covered Payroll	$ 6,110,492	$ 5,145,390	$ 4,283,289	$ 4,899,250	$ 2,482,506	$ 2,035,165	$ 1,820,011
Net Pension Liability as a Percentage of Covered Payroll	13.44%	12.40%	18.72%	3.24%	17.49%	15.80%	8.35%

Notes to Schedule:

*May be off due to rounding

Note: The schedule is required to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB FUNDING PROGRESS AND CONTRIBUTIONS
LAST SEVEN YEARS (UNAUDITED)

	FISCAL YEAR				
	2015	2016	2017	2018	2019
Actuarially determined contribution	$ 2,385	$ 2,781	$ 3,927	$ 5,734	$ 6,859
Contributions in relation to the actuarially determined contribution	$ 2,385	$ 2,781	$ 3,927	$ 5,734	$ 6,859
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,168,175	$ 2,527,893	$ 3,272,097	$ 4,095,842	$ 4,899,250
Contributions as a percentage of covered payroll	0.11%	0.11%	0.12%	0.14%	0.14%

	FISCAL YEAR	
	2020	2021
Actuarially determined contribution	$ 6,370	$ 7,450
Contributions in relation to the actuarially determined contribution	$ 6,370	$ 6,831
Contributions deficiency (excess)	$ -	$ 619
Covered payroll	$ 5,791,275	$ 6,209,727
Contributions as a percentage of covered payroll	0.11%	0.11%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Only one year of data is presented in accordance with GASB 75.

GASB 75, paragraph 57 requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate *	2.75%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS (UNAUDITED)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability				
Changes for the year				
Service cost	$ 18,331	$ 11,320	$ 10,280	$ 7,269
Interest on Total OPEB Liability	3,377	3,340	2,987	2,731
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(1)	(5,458)	(6,732)	-
Changes in assumptions or other inputs	22,310	20,621	(6,592)	7,271
Benefit payments **	(611)	(515)	(857)	(692)
Net Change in Total Pension Liability	43,406	29,308	(914)	16,579
Total Pension Liability - Beginning	113,925	84,617	85,531	68,952
Total Pension Liability - Ending (a)	$ 157,331	$ 113,925	$ 84,617	$ 85,531
Covered Payroll	$ 6,110,492	$ 5,145,390	$ 4,283,289	$ 3,461,260
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.57%	2.21%	1.98%	2.47%

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The schedule is required to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PRINCETON
THE STATE OF TEXAS

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	$ 2,877,598	$ 2,877,598	$ 3,366,545	$ 488,947
Intergovernmental revenues	304,940	304,940	304,940	-
Miscellaneous	10,000	10,000	1,005	(8,995)
Total Revenues	3,192,538	3,192,538	3,672,490	479,952
EXPENDITURES				
General Government	3,050	3,050	3,342	(292)
Debt service:				
Principal retirement	2,474,200	1,999,200	1,999,200	-
Issuance costs	-	-	-	-
Interest	1,147,570	1,622,570	1,455,157	167,413
Total Expenditures	3,624,820	3,624,820	3,457,699	167,121
Excess (deficiency) of revenues over (under) expenditures	(432,282)	(432,282)	214,791	647,073
Other Financing Sources (Uses)				
Transfers	(33,583)	(33,583)	-	33,583
Total Other Financing Sources (uses)	(33,583)	(33,583)	-	33,583
Net Change in Fund Balances	(465,865)	(465,865)	214,791	680,656
Fund Balance, October 1	1,394,096	1,394,096	1,394,096	
Fund Balance, September 30	$ 928,231	$ 928,231	$ 1,608,887	

CITY OF PRINCETON, TEXAS
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2021

	EDC Operating Fund
ASSETS	
Cash and cash equivalents	$ 3,847,798
Receivables	251,387
Total Assets	4,099,185
LIABILITIES	
Accounts payable	46,255
Retainage payable	13,597
Total Liabilities	59,852
FUND BALANCES	
Committed:	
Projects	858,948
Community events	17,000
Debt service	75,000
Unassigned	3,088,385
Total Fund Balances	4,039,333
Total Liabilities and Fund Balances	$ 4,099,185

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	$ 4,039,333
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:	
Governmental capital assets	1,305,906
Less: accumulated depreciation	(52,286)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Long-term payable - City	(1,050,000)
Net assets of governmental activities - statement of net position	$ 4,242,953

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	EDC Operating Fund
REVENUE	
Sales taxes	$ 1,236,892
Investment income	48,715
Total Revenues	1,285,607
EXPENDITURES	
Current:	
Contract services	21,560
Projects costs	858,951
Promotional and advertising	33,245
Supplies and maintenance	-
Office expenses and supplies	112,506
Debt service:	
Long-term payable retirement	75,000
Total Expenditures	1,101,262
Excess (deficiency) of revenues over (under) expenditures	184,345
OTHER FINANCING SOURCES (USES)	
Sale of land	1,918,649
Total other financing sources (uses)	1,918,649
Net change in fund balance	2,102,994
Fund Balance, October 1	1,936,339
Fund Balance, September 30	$ 4,039,333

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	$ 2,102,994
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as in the governmental funds.	(14,920)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Long-term payable payment	75,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	9,469
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in fund financial statements.	(1,104,088)
Change in net position - statement of activities	$ 1,068,455

CITY OF PRINCETON, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2021

	CDC Operating Fund
ASSETS	
Cash and cash equivalents	$ 1,294,093
Receivables	251,387
Total Assets	1,591,706
Liabilities	
Accounts payable	9,579
Retainage payable	4,166
Total Liabilities	13,745
Fund Balances	
Committed:	
Community events	26,000
Projects	178,584
Debt	229,940
Unassigned	1,143,437
Total Fund Balances	1,577,961
Total Liabilities and Fund Balances	$ 1,591,706

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	$ 1,577,961
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:	
Governmental capital assets	1,363,785
Less: accumulated depreciation	(31,503)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:	
Long-term payable-City	(1,140,827)
Net assets of governmental activities - statement of net position	$ 1,769,416

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	CDC Operating Fund
REVENUE	
Sales taxes	$ 1,236,892
Investment income	652
Total Revenues	1,237,544
EXPENDITURES	
Current:	
Personnel	-
Contract services	31,204
Promotional and advertising	15,768
Supplies & maintenance	60
Project costs	178,584
Community events	99,797
Capital outlay	405,465
Debt service:	
Long-term payable retirement	229,940
Total Expenditures	960,818
Net change in fund balance	276,726
Fund Balance, October 1	1,301,235
Fund Balance, September 30	$ 1,577,961

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	$	276,726
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.		405,465
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.		(3,464)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Long-term payable payment		229,940
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		9,596
Change in net position - statement of activities	$	918,263

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUE				
Sales Taxes	$ 735,000	$ 769,165	$ 1,236,892	$ 467,727
Investment Income	80,140	80,140	48,715	(31,425)
Total Revenues	815,140	849,305	1,285,607	436,302
EXPENDITURES				
Current:				
Economic Development	719,685	1,420,804	1,026,262	394,542
Debt Service:				
Long-term Payable Retirement	75,000	75,000	75,000	-
Total Expenditures	794,685	1,495,804	1,101,262	394,542
Excess (deficiency) of revenues over/(under) expenditures	20,455	(646,499)	184,345	830,844
OTHER FINANCING SOURCES (USES)				
Sale of land	-	-	1,918,649	1,918,649
Total other financing sources (uses)	-	-	1,918,649	1,918,649
Net Change in Fund Balance	20,455	(646,499)	2,102,994	2,749,493
Fund Balance, October 1	1,936,339	1,936,339	1,936,339	
Fund Balance, September 30	$ 1,956,794	$ 1,289,840	$ 4,039,333	

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUE				
Sales Taxes	$ 735,000	$ 735,000	$ 1,236,892	$ 501,892
Investment Income	16,000	16,000	652	(15,348)
Total Revenues	751,000	751,000	1,237,544	486,544
EXPENDITURES				
Current:				
Community Development	521,060	512,455	325,413	187,042
Capital Outlays	60,000	579,275	405,465	173,810
Debt Service:				
Long-term Payable Retirement	229,940	229,940	229,940	-
Total Expenditures	811,000	1,321,670	960,818	360,852
Net Change in Fund Balance	(60,000)	(570,670)	276,726	847,396
Fund Balance, October 1	1,301,235	1,301,235	1,301,235	
Fund Balance, September 30	$ 1,241,235	$ 730,565	$ 1,577,961	

STATISTICAL SECTION

STATISTICAL SECTION
(unaudited)

This part of the City of Princeton's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 99

Revenue Capacity

These schedules contain information to help the reader assess the City's ability to generate its property and sales taxes. 106

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 112

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 117

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 119

CITY OF PRINCETON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2012	**2013**	**2014**	**2015**	**2016**
Governmental activities					
Net investment in capital assets	$ 5,151,105	$ 6,626,161	$ 6,640,339	$ 7,305,692	$ 8,075,220
Restricted	2,162,925	642,768	2,990,401	3,152,746	4,140,512
Unrestricted	666,375	2,317,036	483,094	1,357,720	1,710,252
Total governmental activities net position	7,980,405	9,585,965	10,113,834	11,816,158	13,925,984
Business-type activities					
Net investment in capital assets	3,572,269	3,460,166	4,876,332	5,104,136	6,631,526
Restricted	620,769	766,049	808,064	994,498	1,851,788
Unrestricted	1,115,827	1,192,221	1,839,812	2,197,241	2,278,245
Total business-type activities net position	5,308,865	5,418,436	7,524,208	8,295,875	10,761,559
Primary government					
Net investment in capital assets	8,723,374	10,086,327	11,516,671	12,409,828	14,706,746
Restricted	2,783,694	1,408,817	3,798,465	4,147,244	5,992,300
Unrestricted	1,782,202	3,509,257	2,322,906	3,554,961	3,988,497
Total primary government net position	$ 13,289,270	$ 15,004,401	$ 17,638,042	$ 20,112,033	$ 24,687,543

	FISCAL YEAR				
	2017	**2018**	**2019**	**2020**	**2021**
Governmental activities					
Net investment in capital assets	$ 16,457,417	$ 22,926,273	$ 12,622,746	$ 43,200,083	$ 48,846,320
Restricted	2,539,370	7,211,360	13,237,763	39,388,505	14,912,387
Unrestricted	2,075,253	2,666,324	16,417,920	(16,835,067)	16,879,326
Total governmental activities net position	21,072,040	32,803,957	42,278,429	65,753,521	80,638,033
Business-type activities					
Net investment in capital assets	11,785,446	20,496,075	24,609,087	38,369,840	47,192,152
Restricted	3,153,343	3,465,755	5,523,425	7,215,702	10,032,440
Unrestricted	2,695,126	4,435,377	5,410,600	6,906,498	10,428,790
Total business-type activities net position	17,633,915	28,397,207	35,543,112	52,492,040	67,653,382
Primary government					
Net investment in capital assets	28,242,863	43,422,348	37,231,833	81,569,923	96,038,472
Restricted	5,692,713	10,677,115	18,761,188	46,604,207	24,944,827
Unrestricted	4,770,379	7,101,701	21,828,520	(9,928,569)	27,308,116
Total primary government net position	$ 38,705,955	$ 61,201,164	$ 77,821,541	$ 118,245,561	$ 148,291,415

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2012	**2013**	**2014**	**2015**
EXPENSES				
Governmental activities:				
General government	$ 541,838	$ 704,619	$ 728,324	$ 666,193
Public safety	1,374,721	1,380,786	1,244,648	1,335,532
Public services and operations	274,184	294,647	497,095	697,081
Parks and recreation	294,768	307,933	245,950	493,077
Library	-	-	-	102,133
Public works	442,915	603,570	1,113,223	1,232,485
Interest on long-term debt	289,026	262,039	215,011	311,418
Total government activities expenses	3,217,452	3,553,594	4,044,251	4,837,919
Business-type activities:				
Water and sewer	3,837,603	4,318,861	4,449,142	4,676,918
Storm water drainage	-	-	-	-
Total business-type activities expenses	3,837,603	4,318,861	4,449,142	4,676,918
Total primary government expenses	7,055,055	7,872,455	8,493,393	9,514,837
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	-	-	-	115,000
Public safety	234,570	271,837	353,545	294,989
Public services and operations	-	-	-	-
Parks and recreation	15,489	17,972	83,217	45,086
Library	-			
Public works	259,738	291,606	724,455	763,325
Operating grants and contributions	213,574	1,015,344	148,283	20,258
Capital grants and contributions	200,014	849,804	266,308	2,112,676
Total governmental activities program revenues	923,385	2,446,563	1,575,808	3,351,334
Business-type activities:				
Charge for services:				
Water and sewer	3,694,915	4,382,048	4,812,038	5,214,972
Storm water drainage	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	145,353	74,680	-	118,855
Total business-type activities program revenues	3,840,268	4,456,728	4,812,038	5,333,827
Total primary government program revenues	4,763,653	6,903,291	6,387,846	8,685,161
NET (EXPENSE)/REVENUE				
Governmental activities	(2,294,067)	(1,107,031)	(2,468,443)	(1,486,585)
Business-type activities	2,665	137,867	362,896	656,909
Total primary government program revenues				
Net Expenses	(2,291,402)	(969,164)	(2,105,547)	(829,676)

FISCAL YEAR					
2016	2017	2018	2019	2020	2021
$ 789,760	$ 861,576	$ 1,009,624	$ 2,332,105	$ 1,236,657	$ 1,821,210
1,562,609	3,050,330	4,014,770	4,559,343	5,341,659	6,136,367
893,941	886,973	1,353,362	1,217,468	1,326,917	1,677,660
552,517	527,723	706,987	1,000,471	1,056,310	1,281,216
129,687	151,936	169,895	251,596	229,122	267,697
1,381,286	1,642,760	1,743,261	2,672,048	3,335,833	5,735,515
390,417	544,788	623,667	538,930	782,724	1,351,592
5,700,217	7,666,086	9,621,566	12,571,961	13,309,222	18,271,257
6,062,226	6,183,258	7,343,569	9,011,378	9,857,833	13,070,655
-	232,136	513,498	413,028	525,693	1,237,933
6,062,226	6,415,394	7,857,067	9,424,406	10,383,526	14,308,588
11,762,443	14,081,480	17,478,633	21,996,367	23,692,748	32,579,845
115,000	265,178	265,191	576,821	598,040	610,304
348,441	25,690	36,740	39,734	72,345	140,950
130,204	2,324,727	2,842,392	2,626,781	4,151,327	5,224,478
-	146,968	566,573	1,744,437	1,339,530	1,996,581
-	6,913	7,379	7,186	3,211	2,378
1,292,208	1,430,930	1,989,613	1,797,946	3,249,487	3,317,416
8,129	422,920	478,064	495,349	1,137,172	1,170,004
1,908,221	5,385,169	9,084,326	6,177,007	16,061,420	9,315,702
3,802,203	10,008,495	15,270,278	13,465,261	26,612,532	21,777,813
6,754,857	9,563,489	12,320,362	11,629,555	14,357,412	17,789,699
-	319,409	359,638	408,288	527,314	614,839
-	-	-	800	1,724	184,293
1,439,081	4,449,124	5,517,586	4,558,040	12,530,784	10,440,466
8,193,938	14,332,022	18,197,586	16,596,683	27,417,234	29,029,297
11,996,141	24,340,517	33,467,864	30,061,944	54,029,766	50,807,110
(1,898,014)	2,342,409	5,648,712	893,300	13,303,310	3,506,556
2,131,712	7,916,628	10,340,519	7,172,277	17,033,708	14,720,709
233,698	10,259,037	15,989,231	8,065,577	30,337,018	18,227,265

(continued)

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2012	**2013**	**2014**	**2015**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property	$ 2,072,551	$ 2,131,994	$ 2,228,700	$ 2,483,190
Sales	447,973	501,970	572,515	626,981
Franchise	225,711	189,738	216,724	198,430
Beverage	2,368	3,190	1,861	-
Investment income	15,913	11,114	6,702	3,938
Miscellaneous	45,765	47,026	54,360	59,820
Transfers	609	(32,841)	(84,550)	(132,418)
Total government activities	2,810,890	2,852,191	2,996,312	3,239,941
Business-type activities:				
Investment income	256	332	4,167	6,005
Miscellaneous	1,491	1,931	3,856	3,148
Intergovernmental revenue	-	-	-	-
Transfers	(609)	32,841	84,550	132,418
Total business-type activities	1,138	35,104	92,573	141,571
Total primary government	2,812,028	2,887,295	3,088,885	3,381,512
CHANGE IN NET POSITION				
Governmental activities	516,823	1,745,160	527,869	1,753,356
Business-type activities	3,803	172,971	455,469	798,480
Total primary government	520,626	1,918,131	983,338	2,551,836

Table 2
(continued)

FISCAL YEAR					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 2,859,709	$ 3,539,491	$ 4,581,813	$ 6,053,199	$ 7,472,581	$ 8,789,551
918,489	1,267,448	1,327,813	1,540,373	1,928,514	2,473,784
190,838	262,549	338,887	401,613	417,291	434,131
-	2,984	5,698	4,466	2,613	3,749
15,937	76,593	112,237	248,494	128,794	27,098
55,358	5,270	28,387	23,171	68,405	14,713
(32,491)	(33,491)	(317,115)	254,021	187,106	(365,070)
4,007,840	5,120,844	6,077,720	8,525,337	10,205,304	11,377,956
10,929	24,525	80,657	165,375	103,372	8,630
10,463	32,888	41,261	62,274	1,312	66,933
231,150	-	-	-	-	-
32,491	33,491	317,115	(254,021)	(187,106)	365,070
285,033	90,904	439,033	(26,372)	(82,422)	440,633
4,292,873	5,211,748	6,516,753	8,498,965	10,122,882	11,818,589
2,109,826	7,463,253	11,726,432	9,418,637	23,508,614	14,884,512
2,416,745	8,007,532	10,779,552	7,145,905	16,951,286	15,161,342
4,526,571	15,470,785	22,505,984	16,564,542	40,459,900	30,045,854

CITY OF PRINCETON, TEXAS **Table 3**
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2012	$ 2,072,551	$ 447,973	$ 225,711	$ 2,368	$ 2,748,603
2013	2,131,994	501,970	189,738	3,190	2,826,892
2014	2,228,700	572,515	216,724	1,861	3,019,800
2015	2,483,190	626,981	313,430	2,614	3,426,215
2016	2,859,709	918,489	305,838	2,796	4,086,832
2017	3,539,491	1,267,448	262,549	2,984	5,072,472
2018	4,581,813	1,327,813	338,887	5,698	6,254,211
2019	6,053,199	1,540,373	401,613	4,466	7,999,651
2020	7,472,581	1,928,514	417,291	2,613	9,820,999
2021	8,789,551	2,473,784	434,131	3,749	11,701,215

CITY OF PRINCETON, TEXAS **Table 4**
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR				
	2012	**2013**	**2014**	**2015**	**2016**
General Fund					
Nonspendable-prepaid	$ 9,751	$ -	$ -	$ -	$ -
Restricted for:					
Court use	11,136	13,472	82,263	96,279	78,136
Capital improvements	-	-	69,761	-	-
PEG capital	7,478	16,915	23,965	31,804	39,576
Committed for:					
Public safety	89,034	104,114	102,263	66,009	68,584
Capital improvements	-	-	-	-	-
Assigned for:					
General government			2,362	2,362	2,362
Police	4,015	-	-	-	-
Unassigned	(144,933)	8,211	517,024	733,619	1,530,097
Total General Fund	(23,519)	142,712	797,638	930,073	1,718,755
All Other Governmental Funds					
Restricted for:					
Debt service	372,018	436,983	431,132	388,020	917,661
Capital improvements	2,496,018	2,641,610	2,452,981	2,636,643	3,105,139
Committed for:					
Parks	-	239,739	-	48,019	239,741
	$ 2,868,036	$ 3,318,332	$ 2,884,113	$ 3,072,682	$ 4,262,541

	FISCAL YEAR				
	2017	**2018**	**2019**	**2020**	**2021**
General Fund					
Nonspendable					
Prepaid	$ -	$ 21,133	$ 33,282	$ 142,631	$ 126,059
Inventory	-	12,116	15,855	19,584	42,659
Restricted for:					
General government	-	-	-	659,226	1,721,377
Court use	80,953	103,720	127,968	140,802	147,555
Public Safety	-	3,681	4,807	4,824	50,713
PEG capital	41,862	41,862	46,391	51,210	56,161
Committed for:					
Parks and recreation	-	-	2,000	4,000	4,000
Public Safety	15,659	14,000	22,806	21,637	21,637
Public works	20,000	-	19,600	23,545	23,545
Development	295,537	10,500	12,500	14,500	14,500
Assigned for:					
Public safety	66,998	23,570	-	-	-
Public works	-	7,453	-	-	-
Unassigned	1,497,135	1,857,401	1,930,490	3,467,630	6,887,862
Total General Fund	2,018,144	2,095,436	2,215,699	4,549,589	9,096,068
All Other Governmental Funds					
Restricted for:					
Debt service	2,346,400	2,336,466	896,726	1,394,096	1,608,887
Capital improvements	7,551,911	4,109,911	9,768,641	37,138,347	21,724,162
Committed for:					
Public safety	4,500	-	-	-	-
Parks	190,718	190,718	558,571	872,815	1,267,835
Assigned for:					
Public safety	-	4,500	984,621	965,634	-
Parks	-	424,183	854,845	1,189,878	1,672,802
	$ 10,093,529	$ 6,637,095	$ 11,223,938	$ 41,560,770	$ 26,273,686

CITY OF PRINCETON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2012	**2013**	**2014**	**2015**
REVENUES				
Property taxes	$ 2,108,665	$ 2,148,647	$ 2,229,646	$ 2,496,373
Non-property taxes	676,052	694,898	791,100	828,025
License and permits	259,738	291,606	724,455	763,325
Fines/Court	195,497	223,980	325,175	266,473
Charges for services	69,510	91,097	83,217	160,086
Impact fees	-	-	-	-
Grants and contributions	159,988	85,994	11,525	20,258
Developer fees	-	-	-	-
Donations	11,722	17,680	17,010	14,448
Investment income	15,913	11,114	6,702	3,938
Intergovernmental	246,248	768,746	217,809	1,212,846
Miscellaneous	38,630	40,186	29,947	42,759
Total Revenues	3,781,963	4,373,948	4,436,586	5,808,531
EXPENDITURES				
General government	490,861	609,017	725,630	571,945
Public safety	1,174,580	1,151,292	1,293,428	1,445,434
Public works	333,393	429,004	460,504	700,550
Public services and operations	269,557	291,680	276,377	476,654
Parks and recreation	229,804	109,854	95,038	403,473
Library	210	133,852	95,733	103,605
Capital outlay	2,604,944	1,696,947	494,965	2,205,877
Debt Service:				
Principal	494,283	566,061	478,089	550,866
Interest and other charges	287,818	258,593	211,565	307,171
Issuance cost and bond refunding	-	28,143	-	68,397
Total Expenditures	5,885,450	5,274,443	4,131,329	6,833,972
OTHER FINANCING SOURCES (USES)				
Note/Bond proceeds	114,066	1,549,861	-	1,360,000
Payments to bond refunding escrow agent	-	-	-	-
Net cost of issuance premium/(discount)	-	-	-	89,052
Sales of assets	-	-	-	-
Capital lease proceeds	-	-	-	29,809
Transfers	609	(32,841)	(84,550)	(132,418)
Total Other financing Sources (Uses)	114,675	1,517,020	(84,550)	1,346,443
NET CHANGE IN FUND BALANCES	$ (1,988,812)	$ 616,525	$ 220,707	$ 321,002
Debt Service as a percentage of noncapital expenditures	31.30%	29.96%	23.40%	22.76%

Table 5

FISCAL YEAR					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 2,868,605	$ 3,539,491	$ 4,596,307	$ 6,016,963	$ 7,491,961	$ 8,704,457
1,112,122	1,532,981	1,672,398	1,946,452	2,348,418	2,911,664
1,292,208	1,139,145	1,324,778	1,197,053	2,052,232	3,125,155
313,762	318,666	383,154	249,793	196,658	316,669
245,204	1,306,096	1,962,606	2,570,913	3,370,083	4,077,344
-	1,430,930	1,913,383	1,797,946	3,249,487	3,317,416
8,129	343,855	-	-	7,344,313	-
-	-	-	959,705	488,366	388,800
16,177	20,466	26,527	180,506	8,556	539,590
15,938	76,593	112,237	248,494	128,794	27,098
1,177,809	1,568,006	1,836,090	1,139,930	1,630,205	3,084,576
36,385	19,260	59,090	37,774	229,374	88,776
7,086,339	11,295,489	13,886,570	16,345,529	28,538,447	26,581,545
684,955	850,758	994,127	2,291,888	1,046,207	1,753,855
1,630,932	2,897,383	3,760,715	4,144,134	4,852,909	5,688,838
748,702	755,542	661,496	903,096	1,067,638	1,764,900
636,406	872,474	1,329,191	1,171,038	1,266,617	1,643,383
460,734	443,937	604,104	766,783	725,838	893,907
117,758	141,514	159,990	216,026	194,545	236,382
3,917,850	6,122,703	8,902,747	4,515,865	5,684,055	21,938,532
649,425	771,122	1,133,551	2,178,435	2,684,837	2,372,815
388,396	531,818	562,245	548,043	137,774	1,502,605
84,689	68,700	-	63,840	679,547	-
9,319,847	13,455,951	18,108,166	16,799,148	18,339,967	37,795,217
3,245,000	8,465,000	-	7,790,000	17,365,000	-
-	-	-	-	-	-
202,141	26,200	-	-	2,772,774	-
-	6,000	76,230	7,154	-	1,300
182,652	110,814	1,489,406	216,890	268,047	836,837
(32,491)	22	(317,115)	254,021	187,106	(365,070)
3,597,302	8,608,036	1,248,521	8,268,065	20,592,927	473,067
$ 1,363,794	$ 6,447,574	$ (2,973,075)	$ 7,814,446	$ 30,791,407	$ (10,740,605)
23.78%	21.61%	22.58%	28.53%	28.70%	32.35%

CITY OF PRINCETON, TEXAS **Table 6**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year Ended Sept. 30	Real Property		Personal Property Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2012	$ 295,401,109	$ 42,701,207	$ 2,497,520	$ (59,111,138)	$ 281,488,698	$ 0.728394	$ 340,599,836	82.64%
2013	293,259,335	44,359,953	233,729	(62,018,127)	275,834,890	0.728394	337,853,017	81.64%
2014	313,596,419	49,171,779	2,510,382	(63,673,035)	301,605,545	0.728394	365,278,580	82.57%
2015	364,887,976	52,483,026	2,471,089	(75,771,626)	344,070,465	0.738999	419,842,091	81.95%
2016	431,633,366	56,757,007	2,701,269	(106,120,967)	384,970,675	0.738999	491,091,642	78.39%
2017	500,547,077	67,989,329	2,949,716	(108,947,539)	462,538,583	0.721800	571,486,122	80.94%
2018	699,455,122	100,020,051	3,260,865	(184,613,386)	618,122,652	0.691890	802,736,038	77.00%
2019	905,418,021	127,502,195	3,334,546	(193,534,385)	842,720,377	0.688820	1,036,254,762	81.32%
2020	949,006,116	268,918,014	3,227,268	(182,037,684)	1,039,113,714	0.676299	1,221,151,398	85.09%
2021	1,337,770,818	138,705,495	78,208,578	(228,298,217)	1,326,386,674	0.651215	1,554,684,891	85.32%

Source: Collin County Appraisal District

Note Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to the actual value.
Tax ratesa re per $100 of assessed value.

CITY OF PRINCETON, TEXAS **Table 7**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(PER $100 OF ASSESSED VALUE)
(unaudited)

	City Direct Rates			Overlappy Rates*		
Fiscal Year Ended Sept 30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
2012	$ 0.439990	$ 0.288404	$ 0.728394	$ 1.490000	$ 0.240000	$ 0.086300
2013	0.439990	0.288404	0.728394	1.490000	0.240000	0.086299
2014	0.511969	0.227030	0.738999	1.473600	0.240000	0.083643
2015	0.511969	0.227030	0.738999	1.480000	0.237500	0.081960
2016	0.503901	0.217899	0.721800	1.620000	0.235000	0.081960
2017	0.461505	0.230381	0.691886	1.620000	0.225000	0.081222
2018	0.426465	0.263425	0.689890	1.620000	0.192246	0.079810
2019	0.402494	0.286326	0.688820	1.620000	0.180785	0.081222
2020	0.394077	0.282222	0.676299	1.568350	1.749510	0.081222
2021	0.399118	0.252097	0.651215	1.469800	1.725310	0.081222

CITY OF PRINCETON, TEXAS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)

Table 8

Taxpayer	Assessed Taxable Value FY2021	Rank	Percentage of Assessed Taxable Value
Walmart Real Estate Business Trust	$ 15,198,305	1	1.15%
D R Horton - Texas LTD	12,701,890	2	0.96%
Conroe Health Development	11,256,307	3	0.85%
Charley's Concrete Company Inc	8,107,096	4	0.61%
JDFIU Princeton LLC	7,607,679	5	0.57%
Lennar Homes of Texas	6,927,545	6	0.52%
Meritage Homes of Texas	6,765,209	7	0.51%
Walmart Stores Texas LLC	6,592,994	8	0.50%
Lennar Homes of Texas	6,528,500	9	0.49%
Harper Springs Homes LLC	6,398,078	10	0.48%
	$ 88,083,603		
Total Assessed Value	$ 1,326,386,674		

	Assessed Taxable Value FY2012	Rank	Percentage of Assessed Taxable Value
Edison Development Co	$ 4,865,919	1	1.73%
First National Bank	2,622,704	2	0.93%
Princeton Village LLC	1,967,981	3	0.70%
Princeton 380 Ltd	1,757,609	4	0.63%
First Bank Farmersville	1,414,662	5	0.50%
Parkview Heights LLC	1,339,012	6	0.48%
JOMC Properties Inc	1,305,933	7	0.46%
Wallace Real Estate	1,181,955	8	0.42%
D R Horton	1,102,735	9	0.39%
Caldwell Durrie Lee	1,070,559	10	0.38%
	$ 18,629,069		
Total Assessed Value	$ 281,174,941		

CITY OF PRINCETON, TEXAS **Table 9**
PROPERTY TAX LEVIES AND COLLECTIONS
(unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to-Date	
		Amount	% of Levy		Amount	% of Levy
2012	$ 2,048,174	$ 2,024,856	98.86%	$ 17,616	$ 2,042,472	99.72%
2013	2,101,230	2,093,767	99.64%	784	2,094,551	99.68%
2014	2,210,407	2,198,054	99.44%	2,356	2,200,410	99.55%
2015	2,449,973	2,440,330	99.61%	-	2,440,330	99.61%
2016	2,833,887	2,812,844	99.26%	4,569	2,817,413	99.42%
2017	3,605,161	3,539,491	98.18%	4,150	3,543,641	98.29%
2018	4,724,242	4,596,306	97.29%	2,363	4,598,669	97.34%
2019	5,995,210	5,866,980	97.86%	13,450	5,880,430	98.09%
2020	6,491,113	6,398,147	98.57%	90,043	6,488,190	99.95%
2021	8,512,610	8,479,916	99.62%	-	8,479,916	99.62%

Source: Collin County Appraisal District

CITY OF PRINCETON, TEXAS **Table 10**
RATIO OF OUTDSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

	Governmental Activities				Business-type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Capital Leases	Limited Tax Note	General Obligation Bonds	Certificates of Obligations	Contractual Obligations	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita (1)
2012	$ 1,325,000	$ 4,315,000	$ 105,204	$ 355,000	$ 1,521,400	$ 7,700,000		$ 11,482	$ 15,333,086	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,285,000	1,490,600	7,550,000	4,540,000	3,516	20,729,837	10.14%	2,061
2014	1,206,200	4,149,963	204,915	1,110,000	1,393,800	7,395,000	4,340,000	-	19,799,878	9.64%	2,178
2015	1,058,200	5,421,659	150,456	935,000	1,286,800	7,230,000	4,135,000	105,990	20,323,105	12.15%	1,781
2016	906,500	8,435,000	260,384	755,000	7,203,500	1,130,000	3,920,000	150,594	22,760,978	11.83%	1,730
2017	762,200	16,801,315	224,377	570,000	7,479,800	950,000	3,700,000	145,972	30,633,664	11.92%	1,818
2018	695,600	16,382,202	1,626,832	-	7,352,610	760,000	18,295,000	596,692	45,708,936	14.00%	4,299
2019	629,000	14,415,000	1,487,508	7,790,000	6,841,000	560,000	17,910,000	472,977	50,105,485	8.39%	3,908
2020	562,400	31,295,000	1,215,306	6,020,000	6,722,600	350,000	17,730,000	345,537	64,240,843	9.98%	5,010
2021	503,200	30,305,000	1,678,528	5,070,000	6,596,800	130,000	17,330,000	271,434	61,884,962	11.94%	3,366

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Table 15 for personal income and population data.

CITY OF PRINCETON, TEXAS **Table 11**
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less: Debt Service Funds (3)	Net Bonded Debt	% Net Bonded Debt to Assessed Property Value	Net Bonded Debt Per Capita
2012	7,440	$ 281,488,698	$ 6,100,804	$ 372,018	$ 5,728,786	2.17%	$ 820
2013	7,469	277,934,890	7,145,721	429,895	6,715,826	2.57%	957
2014	8,769	301,605,545	6,671,078	431,132	6,239,946	2.21%	761
2015	9,356	344,070,465	7,565,315	386,489	7,178,826	2.20%	809
2016	10,632	384,970,675	10,356,884	389,971	9,966,913	2.69%	974
2017	10,632	462,538,583	18,133,515	550,692	17,582,823	3.92%	1,706
2018	12,822	618,122,652	18,704,634	659,744	18,044,890	3.03%	1,459
2019	12,822	842,720,377	22,834,000	896,725	21,937,275	2.71%	1,781
2020	16,500	1,039,113,714	37,877,400	1,394,096	36,483,304	3.65%	2,296
2021	18,388	1,326,386,674	35,878,200	2,320,500	33,557,700	2.70%	1,951

Source:
(1) Collin County Appraisal District
(2) Schedule of Bonds Payable and total bonds for fiscal year
(3) Schedule of General Long-term debt and statistical section

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF PRINCETON, TEXAS **Table 12**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(unaudited)

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	$ 526,975,000	0.46%	$ 2,424,085
Collin County CCD	514,470,000	0.46%	2,366,562
McKinney Independent School District	517,065,000	0.10%	517,065
Princeton Independent School District	289,772,209	56.05%	162,417,323
	$ 1,848,282,209		$ 167,725,035
City of Princeton			$ 61,884,962
			$ 229,609,997
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			17.31%
Per capita overlapping bonded debt			$ 12,487

Source: "Texas Municipal Report" as of September 30, 2021, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Princeton. This process recognizes that, when considering the City of Princeton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Princeton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF PRINCETON, TEXAS
LEGAL AND DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

Table 13

	FISCAL YEAR									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Tax Limit Rate	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.728394	0.728394	0.738999	0.738999	0.721800	0.691886	0.689890	0.688820	0.676299	0.651215
Available Tax Rate	$ 1.7716	$ 1.7716	$ 1.7610	$ 1.7610	$ 1.7782	$ 1.8081	$ 1.8101	$ 1.8112	$ 1.8237	$ 1.8488

Legal Debt Margin Calculation for Fiscal Year 2021

Taxable assessed value	$ 1,326,386,674
Add back exempt real property	228,298,217
Total assessed value	$ 1,554,684,891
Debt limit (10% of total assessed value)	
Debt applicable to limit:	
Property tax supported debt	$ 37,556,728
Less: Amount set aside for repayment of general debt	(2,320,500)
Total net debt applicable to limit	$ 35,236,228
Legal debt margin	2.27%

CITY OF PRINCETON, TEXAS **Table 14**
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(unaudited)

	Water and Sewer Revenue Bonds					
				Annual Requirements		
Fiscal Year	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Times Coverage
2012	$ 3,841,759	$ 3,094,483	$ 747,276	$ 239,100	$ 436,766	1.11
2013	4,383,979	3,449,737	934,242	251,800	429,508	1.37
2014	4,815,894	3,223,135	1,592,759	277,000	413,325	2.31
2015	5,218,120	3,418,349	1,799,771	288,300	401,744	2.61
2016	6,765,321	4,722,866	2,042,455	320,700	166,409	4.19
2017	6,824,537	5,163,318	1,661,219	298,400	342,428	2.59
2018	8,901,145	6,015,505	2,885,640	1,133,551	562,245	1.70
2019	10,026,242	7,365,838	2,660,404	313,400	285,866	4.44
2020	12,177,286	8,683,551	3,493,735	345,800	256,634	5.80
2021	14,011,112	9,223,155	4,787,957	764,500	682,970	3.31

Note: (1) Total Revenues does not include non-operating revenues
(2) Operating expenses only - does not include transfers or deprecation

CITY OF PRINCETON, TEXAS **Table 15**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Estimated Population (1)	Personal Income	Per Capita income (2)	Average Age (3)	Grade School Enrollment (4)	Unemployment Rate (5)
2012	7,440	$ 151,255,200	$ 20,330 *	32	1,999	9.60%
2013	7,469	168,844,214	22,606	31	1,853	8.30%
2014	8,679	187,761,488	21,634	34	1,954	5.70%
2015	9,356	191,461,184	20,464	36	1,798	4.20%
2016	10,362	224,565,264	21,672	36	1,798	4.30%
2017	10,362	263,909,778	25,469	34	1,950	3.60%
2018	12,822	326,563,518	25,469	34	2,090	3.60%
2019	12,822	466,746,444	36,402	33	2,131	2.90%
2020	16,500	643,648,500	39,009	33	2,587	3.20%
2021	18,388	518,449,660	28,195	33	2,752	3.90%

Sources:

1 United States Census Bureau
2 United States Census Bureau
3 United States Census Bureau
4 Princeton ISD
5 Texas Workforce Commission - (data for Collin County)
* - Estimated by NCTCOG

CITY OF PRINCETON, TEXAS **Table 16**
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2021
(unaudited)

	2021	
Name of Employer	**No. of Employees**	**Rank**
Princeton Independent School District	575	1
Walmart	300	2
City of Princeton	98	3
Villa Asuncion	70	4
McDonalds	36	5
Jack in the Box	25	6
Charley's Concrete	20	7
Tractor Supply	19	8
Taco Bell	12	9
First Bank and Trust	10	10
Totals	1,165	

	2012	
Name of Employer	**No. of Employees**	**Rank**
Princeton Independent School District	435	1
Asuncion Acosta Nursing Home	60	2
McDonald's	35	3
City of Princeton	34	4
Jack in the Box	25	5
Dollar General	15	6
Citizens State Bank	12	7
Texas Meter	7	8
David Copeland Sand & Gravel	6	9
Big G Auto	5	10
	634	

Note: Total employment within City is not available

CITY OF PRINCETON, TEXAS **Table 17**
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)

	FISCAL YEAR				
Function/Program	**2012**	**2013**	**2014**	**2015**	**2016**
General Government	5	5	5	5	5
Police	11	,12	,12	13	12
Fire	0	1	1	1	9
Municipal Court	2	3	3	2	3
Development/Code Enforcement	4	2	4	4	3
Library	1	1	1	1	2
Community Relations	0	0	0	1	1
Municipal Services	3	0	0	0	0
Streets	2	2	2	2	3
Facilities	0	0	0	0	4
Parks and Recreation	0	0	0	0	3
Utility Administration	3	3	3	3	3
Water, Sewer	3	5	6	6	7
Storm Water	0	0	0	0	0
Total	**36**	**36**	**36**	**39**	**39**

	FISCAL YEAR				
Function/Program	**2017**	**2018**	**2019**	**2020**	**2021**
General Government	6	6	8	7	7
Police	15	21	26	29	29
Fire	16	17	17	23	25
Municipal Court	3	3	3	4	4
Development/Code Enforcement	4	5	6	8	11
Library	2	3	3	3	3
Marketing & Community Events	1	1	1	3	2
Municipal Services	0	0	0	1	1
Streets	3	3	3	5	5
Facilities	4	5	5	5	5
Parks and Recreation	4	6	6	8	8
Utility Administration	3	4	4	4	4
Water, Sewer	9	12	12	12	14
Storm Water	2	3	3	2	1
Total	**43**	**55**	**72**	**114**	**119**

Source: City of Budget book

*- Beginning in FY2008, Parks, Streets, and Municipal Services were combined.
In FY2016, Parks, Facilities, and Streets are separate departments

CITY OF PRINCETON, TEXAS **Table 18**
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

	FISCAL YEAR									
Function/Program	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Police										
Physical arrests	291	296	352	236	364	378	591	452	353	492
Traffic violations	2,775	2,750	2,706	1,992	4,454	6,460	2,861	2,704	1,819	1,979
Fire										
Number of calls answered	1,254	1,355	1,536	1,555	1,929	2,100	2,213	2420	2583	3335
Water/Sewer										
New connections	282	593	568	301	656	315	724	668	1,108	1,384
Avg daily consumption (gallons)	1,163,000	1,153,000	1,054,000	1,149,000	1,250,000	1,281,417	1,453,000	1,570,000	1,919,586	2,116,000
Water main breaks	100	175	188	193	143	155	282	577	269	271

Sources: City departments

CITY OF PRINCETON, TEXAS **Table 19**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(unaudited)

	FISCAL YEAR									
Function/Program	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	6	9	11	11	12	14	15	16	20	21
Number of officers	11	,12	,12	13	12	15	15	24	25	27
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	2
Number of firefighters	0	1	1	1	9	16	17	18	23	25
Number of volunteer firefighters	18	12	16	24	22	24	24	20	16	8
Streets										
Streets (miles)	23	24	26	28	64	69	61.3	75.5	88.9	112.9
Number of street lights	175	202	232	246	309	361	420	608	785	1102
Water/Sewer										
Water lines (miles)	27	27.5	27.5	30	58.8	69	80	95.7	101.9	117.3
Sanitary sewer (miles)	50	50.5	50.5	53	44.8	50	60.4	76.7	83.0	110.9

Sources: City departments

CITY OF PRINCETON
THE STATE OF TEXAS

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

May 2, 2022

To the Honorable Mayor,
Members of the City Council
and Management of the
City of Princeton, Texas

We have audited the financial statements of the City of Princeton, Texas (the "City"), for the year ended September 30, 2021, and have issued our report thereon dated May 2, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Government Auditing Standards

As communicated in our engagement letter dated May 17, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Princeton solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses, and other matters noted during our audit in a separate letter to you dated May 2, 2022.

14950 Heathrow Forest Pkwy | Suite 530 | Houston, TX 77032 | Tel: 281.907.8788 | Fax: 888.875.0587 | www.BrooksWatsonCPA.com

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

In relation to all nonattest services provided, such as preparation of the financial statements and supporting schedules, the City has assigned an individual with adequate skills, knowledge, and experience to oversee this service.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Princeton, Texas City of Princeton is included in Note I to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended September 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimates inherent within the projection of the future pension obligation used to calculate the net pension liability.
- Estimated useful lives for capital assets

Management's estimates inherent within the projection of future pension obligation are based on experience studies and observations by the actuaries hired by TMRS. We evaluated the key factors and assumptions used to develop these estimates and determined they appeared reasonable in

relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimates for the useful lives of capital assets are based on experience and industry standards. We evaluated the key factors and assumptions used to develop these estimates and determined they appeared reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Princeton's financial statements relate to capital assets and long-term debt.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: see Exhibit 1.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Princeton's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 2, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Modification of the Auditor's Report

Our audit opinion includes an emphasis-of-a-matter paragraph. As discussed in Note U to the financial statements, there was a restatement of beginning net position within governmental activities, business-type activities, and the water and sewer fund to correct the reporting of operating leases and GTUA capital assets and associated long term contractual obligations in the prior year.

Other Significant Findings or Issues

In the normal course of our professional association with the City of Princeton, Texas, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Princeton, Texas's auditors.

Other Information in Documents Containing Audited Financial Statements (*if applicable*)

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City of Princeton, Texas's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing body and management of the City of Princeton, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BrooksWatson & Co., PLLC

Exhibit 1

Audit Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To correct allocation of property taxes.			
01-100-000-1201	ACCT REC-TAXES	74,464.47	
01-401-000-4000	PROPERTY TAX M&O REVENUE	15,929.39	
09-400-000-4000	PROPERTY TAX I&S REVENUE	96,884.54	
01-200-000-2123	DEFERRED TAX REVENUE		90,393.86
09-100-000-1201	PROPERTY TAXES RECEIVABLE		74,464.47
09-200-000-2123	DEFERRRED REVENUE -PROPERTY TA		22,420.07
Total		**187,278.40**	**187,278.40**
	Total Adjusting Journal Entries	**187,278.40**	**187,278.40**

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

May 2, 2022

To the City Council and Management
City of Princeton, Texas

In planning and performing our audit of the financial statements of the City of Princeton, Texas (the "City"), as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated May 2, 2022 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

1. PUBLIC FUND INVESTMENT ACT

Finding

According to local government code 2,256.023, an investment report should be prepared and submitted to the governing body on at least a quarterly basis. There City did not prepare one for the fourth quarter of the year.

Recommendation

The City should consider the requirement per the public funds investment act and ensure fully in compliance.

Management Response: An investment report will be prepared and reported in accordance with the public funds investment act on a continuous basis.

Other matters are any additional noteworthy items that are unrelated to internal control such as compliance with laws and regulations. No other matters were identified.

1. GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 87, *LEASES* (GASB-87)

GASB-87 is effective for reporting periods beginning after June 15, 2021. GASB-87 will replace the current operating and capital lease categories with a single model for lease accounting based on the concept that leases are a means to finance the right to use an asset. Under the new rules, the City will recognize a lease liability and an intangible asset for all noncancelable leases greater than one year while the lessor will recognize a lease receivable and a deferred inflow of resources. The intangible asset will have similar characteristics to other capital assets and may be amortized depending on various provisions of the asset (or the lease) and if need be, may be impaired.

The accounting for a lessor is complimentary. A lease receivable is established at contract inception equal to the present value of the expected payments over the lease term. As payments are received the lease receivable is reduced and interest revenue is recognized. A deferred inflow is recorded equal to the lease receivable and any payments that are made at the beginning of the lease.

The initial application of this accounting standard will require substantial evaluation and will result in additional accounting and reporting requirements.

Recommendation

The City should begin planning for the implementation of this accounting standard by establishing a policy to 1) establish a capitalization threshold for leases, 2) define "reasonably certain" as it relates to the likelihood of a lease term to extend beyond 12 months, 3) establish a system to capture the required lease information in order to determine the applicability of the standard.

2. AMERICAN RESCUE PLAN ACT

On March 11, 2021, the American Rescue Plan Act was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program. This program is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. During the year, the City received $1,721,369, one-half of the City's total allotment of $3,442,738. The City will have substantial

discretion on how the funds are spent but they will be subject to the regulatory requirements under the Uniform Guidance (2 CRF Part 200) and the Single Audit Act. The City will be required to meet certain terms and conditions as well as administrative requirements. Any funds not spent or obligated by the designated timeline will be required to be returned to the U.S. Treasury. If the City spends $750,000 or more in federal grant funding during the 2022 fiscal year, a single audit will be required.

Recommendation

The City should familiarize themselves with the compliance and administrative requirements associated with the American Rescue Plan Act. City finance and management are encouraged to attend trainings and/or information sessions over the eligible uses, proper reporting and timelines, as well as procurement guidelines over the expenditure of federal funds.

This communication is intended solely for the information and use of the City Council and management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BrooksWatson & Co., PLLC